NEAR EAST UNIVERSITY

GRADUATE SCHOOL OF APPLIED AND SOCIAL SCIENCES

DEPARTMENT OF INTERNATIONAL RELATIONS

The North-South Gap and How To Narrow It

MASTER THESIS

By

Samer Abu Jouda

JANUARY 2005

Nicosia 2005

Samer Abu Jouda : ***The North-South Gap and How To Narrow It.***

Approval of the Director of the Graduate School of Applied and Social Sciences

Prof. Dr Fakhradddin Sadıkoğlu

We certify that this thesis is satisfactoryfor the award of a degree of Master ofArts in International Relations

Examining Committee in Charge:

Assis ; Dayıoğlu	Department of International Relations (Chair of the Committee)
Prof. ola	Dean of the Faculty of Economic and Administrative Sciences (Supervisor)
Tayseer Al-Shanableh, MA	Department of International Relations (Member)

NEAR EAST UNIVERSITY

FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES

DEPARTMENT OF INTERNATIONAL RELATIONS

JURY REPORT

ACADEMIC YEAR: 2005-2006

STUDENT INFORMATION

Full Name:	Samer Abu Jouda	Nationality:	Palestinian
Institution :	Near East University	**Department:**	International Relations

THESIS

Title:	The North-South Gap and How To Narrow It.
Description :	This thesis explores the North-South Gap as one of the most important issues today. Also it's discover how did the gap between the rich and poor countries emerge and bow it could be solved by both theoretical and practical methods.
Supervisor :	Prof.Dr. Jouni Suistola

JURY'S DECISION

The Jury has decided to accept the student's thesis.
The Decision has been taken unanimously.

JURY MEMBERS

Number Attending	13	Date	SSZOOS
Name:		Signa tm-e.	
Prof. Dr Jouni Suistola			
Assist. Prof. Dr Ali Dayıoğlu			
Mr. Tayseer Al-Shanableh			

APPROVALS

Date: 25-4-2005	Chairman of the Department : Assist. Prof. Dr Zeliha khashman

ACKNOWLEDGMENTS

I am deeply indebted to my supervisor, Professor Dr. Jouni Suistola for his support, guidance and encouragement. Without his help this work would not have been possible.

A special thank also goes to chairman of IR department, Assoc. Prof Dr. Zeliha Khashman and to the staff of the department, Dr. Esin Başçeri and Assist. Prof Dr Sabine Dreher and Assist. Prof Dr. Ali Dayıoğlu and Dr. Ejdan Sadrazam .Their assistance and teaching are greatly appreciated. I would also to thank Mr. Tayseer Alshanableh for his help and support.

I would like to express my deepest gratitude to my family, my beloved parents. And I would like to thank my grandmother for his financial support. Finally, I would like to thank all my friends for the help and for the moral support

DEDUCATION

To our eternal leader, the martyr Yasir Arafat

To my martyr uncle Nadeem Abu Jouda and his pure spirit

To all my fighting people, to all martyrs, to all prisoners of the son of the freedom

To every mother who lost her son and accepted that with patience and faith

To all these, I dedicate this thesis.

Samer Abu Jouda

ABBREVIATIONS

ASEAN	Association of South East Asia Nation
CIS	Commonwealth of Independence State
ECOWAS	Economic Community of West African States
ES	Export Substitution strategy
FDI	Foreign Direct Investment
GAIT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
G-77	Group of Seventy-Seven
IMF	International Monetary Found
IPE	International Political Economy
IS	Substitution Strategy
LDCs	Less Developed Countries
MAI	Multilateral Agreement on Investments
NAFTA	North American Free Trade A agreement
NIEO	New International Economic Order
NTCs	Newly Industrial Countries
OAS	Organization of American State
OAU	Organization of American Unity
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SAPS	Structural Adjustment Policies
UN	United Nations
UNCED	United Nations Conference on Environment and development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Report
U.S.A	United States of America
WTO	World Trade Organization

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Introduction

North-South gap has been considered as one of the most important international issues in the 20th century. It constitutes the differences between the problems of the North-South and it deals with lower incomes and resources of the South countries compared to relatively rich industrialized countries of the North. As it is known that the earth is divided into two hemispheres, North and South at the equator. In many ways the life in the North is very different from life in the South. Nevertheless, this is a mainly geographical distinction, whereas when we speak about the North-South gap we mean basically something else: the distinction between the rich and the poor.

The North includes both the West(the rich countries of North America, Western Europe and Japan) and the old East(the former Soviet Union). The South includes Latin America, Africa, the Middle East and much of Asia. The South is often called "Third World"(Third after the West and East) a term that is still widely used despite the second world has collapsed. Countries in the South have been also referred to as "developing countries" or "less developed countries" (LDCs), in contrast to the developed countries in the North.

The management process of the North-South system is quite different from that of the Western system. In the West, there is a relatively highly institutionalized system consisting of international organizations, elite networks, processes of negotiation, agreed upon-norms, and rules of the game. Although power is unequally distributed in the West, all members have access to both formal and informal management systems. In the North-South relations, in contrast, there is no well-developed system with access for all. The South has been regularly excluded from the formal and informal processes of system management. North-South relations are controlled by the North as a subsidiary of the Western system. Understandably, the North perceives this structure as legitimate, whereas the South generally perceives it as illegitimate,

Why is the North-South issue becoming so important at the beginning of the twenty-first century? First of all, the per-capita income gap between the North and the South is increasing. At the same time the per-capita income is raising in the countries of the

North where only 15 per cent of the world population live. Besides, the goods produced by the countries of the South become less valuable for the developed countries. Such circumstances force the poor countries to produce more in order to buy even less products from the rich countries. This reduces the ability of the poor countries to cope with the global economy because their products are not needed, or they can not sell them with competitive prices because of the subsidies paid by the rich countries to their own producers, and their opinion is not counted by the rich countries. That is why poor countries are usually unhappy with the management of the global economy: they simply have a too small role to play in its global structure.

Secondly, today the terms Global North, which refers to what was previously known as the First World, and Global South, which refers to the rest of the world, are preferred. As always, the South Placement of particular states within these categories is something problematic. Many of the countries are in transition. Those, formerly referred to as Second World, are particularly difficult to place. Generally, four dimensions distinguish the North and the South: politics, technology, wealth; and demography.

States composing the Global North are democratic, technologically inventive, wealth, and aging, as their societies tend toward zero population growth. Some states in the Global South share many of these characteristics, none shares them all. Saudi Arabia is rich but not democratic; China is populous but not democratic and although the economic growth has been rapid (8 - 10%) only a part of it has recently become wealthy; India is democratic but burdened with an enormous and growing population; and Singapore is both wealthy and technologically innovative, or wealthy, but is experiencing rapid population growth that increasingly strains overtaxed social and ecological systems. The least developed of the less developed countries, are sometimes described as the "Third World". Many of them, but not all, are in Africa, South of the Sahara.

The Global South is home to more than 80 percent of the world population but possesses less than 20 percent of its wealth. This underlines the long festering" north-South conflict" ` dispute more than do political and technological differences. The contest between the wealthy ~Jth and the poor South has historically been politics of mutual suspicion and struggle. Because of the fears and resentments and differences in status and unequal opportunities in economic terms, competition naturally appears.

This thesis consists of six chapters and a conclusion, covering practical theories, the emergence of the North-South gap, and solutions of this critical issue.

In the first chapter we will discuss the rise and fall of European Empires including circumstances events and its influences both politically and economically which resulted in the birth of independent Third World countries. We begin with an examination of the colonial and imperial historical experiences of most developing countries that account for their subordinate international position, and the Global South policy reaction to the circumstances.

In the second chapter we will emphasize the main four global theories which tackle the reasons and solutions of the North-South issue. These theories are mercantilism, liberalism, Marxist, and structuralism. Mercantilists aim at increasing the wealth and power of a state, furthermore it describes the future of the state after building the wealth and power. Liberalist count on free trade, free economic interchange, capitalism, laisses-faire, that is, they believe that the Third World must open the markets for free trade with the First World and make more multinational cooperation between them. Marxist challenge the liberal analysis and argue that system itself is at the root of the development problem. Structuralists believe that the system is not ideal but can be peacefully reformed and reorganized. They believe that industrialization of the South can be achieved within a reformed international market by the control of the population (education of women and urbanization), diversification of economy through import and export substitution, and regional integration.

In Chapter three, we will discuss the globalization and the Third World problems. This chapter examines the nature of economic globalization, some of its key aspects (financial and trade liberalization), and recent developments and the implications for the South. It also provides proposals and suggestions on what could be done to reduce the negative aspects. The reasons for the changing perception of and attitude towards globalization are many. Among the important factors are the lack of tangible benefits to most developing coun[illegible] from opening of their economies, despite the well-publicized claims of export and income gains; the economic losses and social dislocation that are being caused to many developing countries by rapid financial and trade liberalization; the growing inequalities of wealth and opportunities arising from globalization; and the perception that environmental, social and cultural problems have been made worse by the workings of the global free market economy. This paper is organized into five chapters, following a brief introduction. It summarizes the main features of globalization, including economic liberalization, the globalization of policy-making, and the unbalanced nature and effects of the process. Also in this chapter we will discuss the major aspects of economic globalization, discuss trade liberalization, some recent findings on its effects, and recent developments in the WTO, financial liberalization and the risks of volatile short-term capital flows. the Third World problems will be defined and closer discussed (such as poverty, the globalization effects, high unemployment, children malnutrition, basic needs, high population, state repression and corporate exploitation, immigration, and debts). Basically, these are problems which mean that there is the First World and the Third World.

In the next chapter, the discussion that follows is divided into three parts. The first looks at the question of whether the end of the cold war has increased or dampened instability and conflict in the Third World. This will be followed by an assessment of emerging areas of North-South tension over world order issues, especially those which are associated with the North's ill-defined vision of a 'New World Order'. The third part will examine the changing role of Third World's platforms and institutions, both global and regional, in addressing the political, security, and economic concerns of the developing countries.

In the last chapter of our study, we will make some proposals to solve the Third World problems. They have to try to cooperate between themselves in all aspects of life especially agricultural fields, and industrialization because they have the same conditions and the same levels in all aspects of life. Also they need to create new dynamism for democratic governments instead of the dictators. Also they have to reduce the immigration "brain drain" by improving average life conditions. And make cooperation with the developed countries to get feedback for the brain drain. It is also highly important that the third World must solve the children matuntrition.

The aim of this thesis is to explore the importance of the North-South gap as one of the most important issue today. It also aims at stressing the emergence of the issue and how it could be solved by both theoretical and practical methods. In my opinion the North-South cooperation or the new world order will never be successful without the developed countries taking the responsibility to help them by supporting them to create new system more democratically, and providing financial support.

Chapter 1

The Rise and Fall of European Empires and The Birth of The Third World

Imperialism can be defined as a practice by which powerful nations or peoples seek to extend and maintain control or influence over weaker nations or peoples. Scholars frequently use the term more restrictively: Some associate imperialism solely with the economic expansion of capitalist states; others reserve it for European expansion after 1870. Although imperialism is similar in meaning to colonialism, and the two terms are sometimes used interchangeably, they should be distinguished. Colonialism usually implies formal political control, involving territorial annexation and loss of sovereignty. Imperialism refers, more broadly, to control or influence that is exercised either formally or informally, directly or indirectly, politically or economically.

Economic explanations of imperialism are the most common. Proponents of this view hold that states are motivated to dominate others by the need to expand their economies, to acquire raw materials and additional sources of labor, or to find outlets for surplus capital and markets for surplus goods. The most prominent economic theories, linking imperialism with capitalism, are derived from those of Karl Marx. Lenin, for example, explained the European expansion of the late 19th century as the inevitable outcome of the need for the European capitalist economies to export their surplus capital. Furthermore,Lenin viewed imperialism as the highest - and last - stage of capitalism. Similarly, contemporary Marxists explain the postwar expansion of the U.S. into the Third World in terms of economic imperatives.

Alternatively, some stress the political determinants of imperialism, contending that states are motivated to expand primarily by the desire for power, prestige, security, and diplomatic advantages vis-a-vis other states. In this view, late 19th-century French imperialism was intended to restore France's international prestige after its humiliating defeat in the Franco-Prussian War. Similarly, Soviet expansion into Eastern Europe after 1945 can be understood in terms of security needs, specifically the need to protect the nation from another invasion across its western border.

A third set of explanations focuses on ideological or moral motives. According to this perspective, political, cultural, or religious beliefs force states into imperialism as a "missionary activity." Britain's colonial empire was motivated at least in part by the idea that it was the "white man's burden" to civilize "backward" peoples. Germany's expansion under Hitler was based in large measure on a belief in the inherent superiority of German national culture and the German superior (Aryan) race. Unlike the traditional imperialism of the European great powers, Hitler did the appeasement towards European Great Powers to expand his empire. Besides, he also did not keep his contacts and promises when he attacked the Soviet Union, despite the non-aggressive agreement between Hitler and Stalin, the Soviet dictator. Finally he occupied France during the second world war which created unbalance between great powers.1 The desire of the U.S. to "protect the free world" and of the former Soviet Union to "liberate" the peoples of Eastern Europe and the Third World are also examples of imperialism disguised with moral and ideological concerns.

Finally, some explanations of imperialism focus not on the motives of powerful states but rather on the political circumstances in weaker states. The argument holds that powerful states may not intend to expand, but may be forced to by instability in the periphery; new imperial actions result from past imperial commitments. The British conquest of India and the Russian colonization of Central Asia in the 19th century are classic examples of reactive imperialism. There was a tough competition between the Russian and British Empires, especially in Central Asia.

The emergence of Global South as an identifiable world actor is a distinctly contemporary phenomenon. Although most Latin American countries were independent before world war 2, not until 1946 did the floodgates of decolonization first open. In the next five decades a profusion of new states joined the international community as sovereign entities, nearly all carved from British, French, Spanish and Portuguese empires built under colonialism.

Today, few colonies exist. Although the dozen or so remaining dependent territories may yet become independent members of the world community, most have population less than 100,000 and many have expressed a preference to retain their current political status. In short, the political process known as decolonization - the freeing of colonial peoples from their dependent status - is now complete.[2]

Most of the ethnic conflicts now so prevalent have colonial roots, as the imperial powers drew borders within and between their domains with little regard for the national identities of the indigenous people, and kept them peaceful with force. Similarly, the staggering poverty facing Global South countries may be a product of their imperial pasts, when the European powers exploited their overseas territories. Thus, as viewed through the eyes of nationalist leaders in many of the emerging states, the disparity between the rich North and the poor South is the consequences of nee-colonialism or nee-imperialism - unequal trade exchanges through which the privileged exploit the unprivileged by penetrating the laters market and by institutionalizing economic processes for this purpose.

The end of colonialism is one of the most remarkable developments in twentieth-century world politics . As the US Secretary of state George Shultz observed in 1993, since the second world war, the world has undergone a vast transformation as more than 100 new states have come into being. An international system that had been centered on Europe for centuries, and that regarded all non-European areas as peripheral or has objects of rivalry, has become in an amazingly short span of time a truly global arena of sovereign states.[3]

Despite their legal status as independent entities, sovereignty could not erase the colonial heritage and vulnerabilities that the former colonies faced, indeed , the new poor states bom after world war 2 were thrust into international periphery; dominated by the rich great powers at the core of an international system they had no voice in shaping, the new states viewed the inherited rules and structures as barriers to their true independence and growth.

The term Third World was first used to distinguish the growing number of newly emerging, economically less developed states that tended to share common colonial heritage from those identified with either the East or West in the cold war struggle, but it soon took on largely economic connotations. Compared with the first world industrialized countries, the third world had failed to advance toward levels of economic development comparable to western Europe, north America, Australia and Japan. The Second World - consisting of the Soviet Union, its allies, and other communists societies - was distinguished by commitment to planned economic practices rather than reliance on market forces to determine the supply of and demand for goods and services. Today the states comprising the former second world are commonly described as countries in transition.

1.1. The European Waves

We will discuss the European imperialism and colonialism in the third world by exploiting the sources and raw material in the third world. The period of the European imperialism around the world is divided into three stages.

1.1.1. The First Wave :The European Imperialism

European imperialism got its start in the fifteenth century with the development of ocean-going sailing ships in which a small crew could transport a sizable cargo over a long distance. Portugal pioneered the first voyages of exploration beyond Europe. Spain, the Netherlands, France, and Britain soon followed. With superior military technology, European gained control of coastal cities and of re-supply outposts along major trade routes. Gradually this control extended further inland, first in Latin America, then in North America and later throughout Asia and Africa.[4]

As scientific innovations made the European explorers, adventure possible, merchants followed in their wake quickly seizing open opportunities to increase their business and profits. In tum, Europe's governments perceived the possibilities for increasing their own power and wealth. Commercial companies were chartered and financed, and military and naval expeditions were frequently sent out after them to ensure political control of overseas territories[5]

Imperialism - it comes originally from the Latin verb impero, which means to rule - dates from antiquity, and throughout history it has taken many forms. In any given historical period, certain f9rms tend to be more prevalent than others. In the ancient world imperialism manifested itself in a series of great empires that arose when one people, usually representing a particular civilization and religion, attempted to dominate all others by creating a unified system of control. The empire of Alexander the Great and the Roman Empire are salient examples.

Early modem European imperialism[1400-1750], by contrast generally took the form of overseas colonial expansion. Rather than one state attempting to unify the world, in this period many competing state established political control over territories in south and in the new world. Imperial systems were organized according to the doctrine of mercantilism. Each imperial state attempted to control the trade of its colonies, in order to monopolize the benefits of that trade. Many of scholars wrote about the reasons of the European expansion around the world in that period like Immanuel Wallerstein. He argues that Europe moved towards the establishment of a capitalist world economy in order to ensure continued economic growth. However, this entailed the expansion of the geographical size of the world in question, the development of different modes of labor control and the creation of relatively strong state machineries in the states of Western Europe. In response to the feudal crisis, by the late fifteenth and early sixteenth centuries, the world economic system emerged. This was the first time that an economic system encompassed much of the world with links that superseded national or other political boundaries. The new world economy differed from earlier empire systems because it was not a single political unit. Empires depended upon a system of government which, through commercial monopolies combined with the use of force, directed the flow of economic goods from the periphery to the center. Empires maintained specific political boundaries, within which they maintained control through an extensive bureaucracy and a standing army. Only the techniques of modern capitalism enabled the modem world economy, unlike earlier attempts, to extend beyond the political boundaries of any one empire.

The new capitalist world system was based on an international division of labor that determined relationships between different regions as well as the types of labor conditions within each region. In this model, the type of political system was also directly related to each region's placement within the world economy. As a basis for comparison, Wallerstein proposes four different categories, core, semi-periphery,

periphery , and external, into which all regions of the world can be placed. The categories describe each region's relative position within the world economy as well as certain internal political and economic characteristics.

By the end of the eighteenth century the European powers had spread themselves, although thinly, virtually throughout the entire world, but the colonial empires they had built now began to crumble. Britain's thirteen North American colonies declared their independence in 1776, and most of Spain's possessions in South America gained their freedom in the early nineteenth century.[6]

1.1. 2. The Second Wave: the European Colonialism

Beginning in the 1870s and expending until the outbreak of world war 1, a second wave of imperialism washed over the world as Europe, joined later by the United States and Japan, aggressively colonized new territories. The portion of the globe that Europeans controlled was originally one-third, two-third by 1878, and four-fifths by 1914.[7] Nearly all of Africa was now under the control of seven European powers: Belgium, Britain, France, Germany, Italy, Portugal and Spain. In all of the Far East and the Pacific, only China, Japan, and Siam[Thailand] remained outside the direct control of Europe or the United States. China, too, was divided into spheres of Korea and Formosa [Taiwan]. Elsewhere, the United States expanded across its continent, acquired Puerto Rico and the Philippines in the 1898 Spanish-American war, expanded its colonial westward to Hawaii, leased the Panama Canal Zone in perpetuity from the new state of Panama [an American creation], and exercised considerable control over several Caribbean island, notably Cuba. The pre-eminent imperial power, Great Britain, in a single generation expanded its empire to engulf the entire world. By 1900 it covered one-fifth of earths land area and comprised perhaps one-fourth of its population. As British imperialists were proud to proclaim, it was an empire on which the sun never set.[8]

1.1.2.1. Economic Explanations for the New Imperialism

In the mid-19th century yet another variant of imperialism appeared, the imperialism of free trade. The practice endured in this period even though mercantilism and the pace of formal empire building declined significantly. European, especially British, power and influence were extended informally, mainly through diplomatic and economic means, rather than formally, through direct colonial rule. The imperialism of free trade, however, was short-lived: By the end of the 19th century European powers were once again practicing imperialism in the form of overseas territorial annexation, expanding into Africa, Asia, and the Pacific

Actually, the causes of imperialism were many and complex. No single theory explains all cases. One of the most popular explanation of modem imperialism involves economic necessity. In fact, modem imperialism has been called "economic imperialism," as if earlier forms of imperialism had lesser economic content. One such explanation goes as follows: [1] competition in the capitalist world becomes more intense, resulting in the formation of large-scale enterprises and the elimination of small ones; [2] capital accumulates in the large enterprises more and more rapidly, and since the purchasing power of the masses is insufficient to buy all the products of large-scale industry, the rate profit declines; [3] as capital accumulates and the output of capitalist industries goes unsold, the capitalist resort to imperialism to gain political control over areas in which they can invest their surplus capital and sell their surplus products.[9]

What the two perspectives share is the belief that the economy explained the new imperialism: The fundamental problem was in the presumed material needs of advanced capitalist societies - the need for cheap raw material to feed their growing industrial complexes, for additional markets to consume their rising levels of production, and for investment outlets to absorb their rapidly accumulating capital.'

World-system analyses, like Marx's theories, also embrace an economic explanation. World-system theory postulates that a single capitalist world economy emerged during the "the long 16th century" from 1450 to 1640, which created a world division of labor separating "core"[industrial] areas from those in the globe's [nonindustrial] "periphery'i"'.[10] Northwest Europe first emerged as the core. As the industrial revolution proceeded. The core states exchanged manufactured goods for primary agricultural and mineral products produced in the colonial territories at the periphery. From this perspective, colonization became the principal method for imperial control over foreign lands.[11]

World-system theory interprets the new imperialism of the late eighteenth century quite differently from the previous colonial period. "The earliest colonies were usually coastal trading posts for merchants involved in long-distance preciosity exchange with the contact periphery, such as the spice trade. Following rivers upstream, these were later superseded by settler colonies involved in the production of necessities, primarily mining and cash-crop agriculture using coerced labor." In contrast, after 1870 colonies effectively became occupation zones in which a small number of European sojourners coerced an indigenous population into production for the global economy.[12]

1.1.2.2. Political Explanation for the New Imperialism

Political factors also explain the new imperialism. By 1815 Britain emerged from Europe's perpetual conflict as the worlds leading power. From this position it became the chief promoter of free international trade because a system with few legal barriers to exports and imports also promoted disproportionate economic growth in the core relative to the periphery.[13] By 1900, however, British superiority was on the wane. Germany emerged as a powerful industrial state, as did the Unites States. Understandably, Britain tried to protect its privileged position in the international division of labor in the face of growing competition from the newly emerging core states. Its efforts to maintain the status quo help to explain the second wave of imperial expansion-especially in Africa, whose partition served the imperial powers at the expense of local populations.

As Africa's ignominious fate illustrates, the European powers competed for power not in Europe itself, but ~ the peripheral areas of the capitalist world system, where competition for political pre-eminence led to economic domination and exploitation. As in the mercantile system of the past, European colonies were integrated in the world political economy solely for the purpose of serving the interests of the colonial powers. "The political victors controlled investment and trade, regulated currency and production, and manipulated labor, thus establishing structures of economic dependency in their colonies which would endure far longer than their actual political authority".[14]

The British-sponsored laissez-faire system of free trade promoted rapid economic growth in many colonial territories, but economic development elsewhere proceeded even more rapidly. Western Europe, North America, Australia and New Zealand were able to complete their industrial revolutions during this period and to advance as industrial societies. Thus the gap between the world's rich and poor countries began to widen.

The colonial territories of the powers defeated in the world war 1 were not simply parceled out among the victorious allies, as had typically happened in the past. Instead, the territories controlled by Germany and the Ottoman Empire were transferred under the League of Nations auspices to countries that would govern them as "mandates" pending their eventual self-rule. The Middle East came under European influence as the Ottoman Empire disintegrated in the late nineteenth and early twentieth centuries - and as oil became a key fuel. Britain and France were most prominent there as well. Historical Palestine and Jordanl996 were British-run until 1948. Syria and Lebanon were French mandates. Iraq's claims on Kuwait stem from Britain's creation of Kuwait as an independent territory in 1920s. The Arab-Israeli conflict also is strongly influenced by the history of British rule.[15] In Africa, most of Cameroon and Togoland were divided between British and France; and the Union of South Africa gained responsibility for the mandate governing Germany South-West Africa. In the Pacific area, Australia, New Zealand, and Japan acquired jurisdiction over the former Germany colonies.

Many of these territorial decisions gave rise to political conflicts during the next half-century or more. The decisions relating to the Middle East and Africa were especially crucial over South-West Africa [now called Namibia] to what would become the white minority regime of South Africa.

The principle implicit in the league of the Nations mandate system gave birth to the idea that colonies were a trust rather than simply a property to be exploited and treated as if its peoples had no right of their own. This set an important precedent for the negotiations after world war 2, when territories of defeated powers placed under the United Nations trusteeship system were not absorbed by others but were promised eventual self-rule.

1.1.3. The Third Waves: the Neo-Colonialism

Imperialism threatened the world again in the 1930s and early 1940s, as Germany, Japan, and Italy sought to expand their political control in Europe, Asia, and Africa. With their defeat in world war 2, the threat of regional empire building receded and support for self-determination gained momentum.

In the wave of decolonization after world war 2, it was not local colonies(as in the Americans) but indigenous populations in Asia and Africa who won independence. Decolonization continued from 1947 to the mid-1970s until almost no European colonies remained. Most of the newly independent states have faced tremendous challenges and difficulties in the post-colonial era. Because long-established economic patterns continue despite political independence, some refer to the post-colonial era as being nee-colonial. Although the global North no longer imports slave labor from the South, it continues to rely on the South for cheap labor, for energy and minerals, and for products of tropical agriculture. However, the North in turn makes vital contributions to the South in capital investment, technology transfer, and foreign assistance.[16]

Colonialism has now almost disappeared: there are a few small pockets left in the world. National sovereignty is in the rule. Latin American independence had been achieved by the end of the nineteenth century, whereas in Africa and Asia, colonialism came to an end largely as a result of the second world war. Social scientists found themselves confronted by a growing number of newly independence states after the war and became interested in how these societies were going to progress and develop. This was of more than merely academic interest, it was important for the foreign policies of the great powers. They were interested in the way that (moderninsing) developing countries would change, whether they would achieve a stability that favoured Western interests and, if not, whether such regimes could be established to produce a less hostile environment for Western economic and strategic aims.

After the Second World War the political independence of the Asian and African nations not only put an end to the system of colonialism but also, in a way, brought to an end the era of European expansion that had opened in 1492. For four and a half centuries, from 1500 to 1950, that expansion had been the form taken by the development of historical capitalism, to the point where these two aspects of the same reality had become inseparable.

1.2. The Effects of Imperialism :

Because imperialism is so often viewed as economically motivated, discussions of its effects also tend to revolve around economic issues. Disagreement arises between those who believe that imperialism implies exploitation and is responsible for the underdevelopment and economic stagnation of the poor nations, and those who argue that although the rich nations benefit from imperialism, the poor nations also benefit, at least in the long run. The truth has been difficult to ascertain for at least two reasons: (1) No consensus has been reached on the meaning of exploitation, and (2) it is frequently difficult to disentangle the domestic causes of poverty from those that are possibly international. What is apparent is that the impact of imperialism is uneven: Some poor nations have enjoyed greater economic benefits from contact with the rich than have others. India, Brazil, and other developing nations have even begun to compete economically with their former colonial powers. Thus, it is prudent to examine the economic impact of imperialism on a case-by-case basis.

The political and psychological effects of imperialism are equally difficult to determine. Imperialism has proven both destructive and creative. For better or worse, it has destroyed traditional institutions and ways of thinking and has replaced them with the habits and mentality of the Western world.

Chapter 2

The North-South System and The Possibility of Change

The management problems of the North-South system are quite different from those of the western system. For the interdependent system of the developed market economy, the crucial issue is whether it is possible to achieve necessary political capability at the national, regional, and global levels to ensure that international economic relations continue to result mutually beneficial outcomes while also modernizing the international economic institutions that have been in place since world war 2. The North-South system is separate from, but also embedded in, the western system. It is separate because the rules of the North-South system reflect the much lower income levels and resources bases of the developing countries. It is embedded because the countries of the North have veto power over important changes in the system. The main question for the North-South system is whether it is possible to change the system so that more than a small number of developing countries benefits from it.[17]

In the Western system, control is facilitated by a perceived common interest in the system. In the North-South system, there is less perception of a common interest. The develop market economies feel that the North-South system, also perhaps not perfect, is legitimate, because it benefits them and because they have significant decision-making authority. The Southern states tend to feel that both the Western an the North-South systems are illegitimate because they have not enjoyed a large enough share of the economic rewards. From their view point, neither system has adequately promoted their economic development. Also they feel that their interests are not properly represented in these international regimes. Since the endof World War 2, developing countries have persistently sought to change their dependent role in international economic relations. Their efforts to achieve growth and access to decision making have varied over time and from country to country. Southern strategies have been of three main types (1) attempts to delink themselves from some aspects on the international system, (2) attempts to change the economic order itself, and (3) policies designed to maximize the benefits from integration into the prevailing system these strategies have been sh~pej to a significant degree by the central question of whether it is possible to achieve growth and development within the prevailing international economic system.[18]

The North-south issue has been discussed by many philosophical schools, which argued whether this gap could be reduced in the modern economic system. these ideological perspectives most often used to explain international political economy are: mercantilism, liberalism, Marxism, and structuralism. We will discuss each theory separately.

The Development Theories:

2.1. Mercantilism Theory:

Mercantilism is a theoretical perspective that accounts for one of basic duties of all nation-states: to create wealth and power in order to preserve and protect the national security and independence. Wherever you find a concern about foreign threats to security - whether military, economic, or cultural - you will find evidence of mercantilism.[19]

Anglo-American theory stresses that economy is by nature a "positive sum game" from which all can emerge as winners. Asian history tells many Koreans, Chinese, Japanese, and others that economic competition is a form of war in which some win and others lose. To be strong is much better than to be weak; to give orders is better than to take them. With this logic, the way to be strong, to give orders, to have independence and control, is to keep in mind the difference between "us" and "them". This perspective seems natural to Koreans (when thinking about Japan), or to Canadians (when thinking about the United States), or to Britons (when thinking, even today, about Germany), or to Chinese or Japanese (when thinking what the Europeans did to their nations).[20]

Typically, mercantilism is defined somewhat narrowly in terms of state efforts to promote exports and limit imports, thereby generating trade surpluses to create wealth and power. In IPE(International Political Economy), we like to think of mercantilism in somewhat broader terms, as a theoretical perspective that puts security at the center of national concerns. A nations security can be threatened in many way: foreign firms and their products, foreign influence over international laws and institutions, and even by foreign movies, magazines, and television shows, which may weaken a nation's social and cultural cohesion.[21]

Mercantilism was often associated with bullionism. This is the idea that a state's gold reserves are a measure of its wealth and power. Since trade imbalances used to be adjusted through transfers of gold at a time when most currencies were connected with gold, i.e. the gold standard, large gold reserves were viewed as important to central governments. This emphasis on gold reserves dates back to the time of feudalism and monarchies, when the king's treasury included the crown jewels, gold, and other valuables, which, literally, might be have been used to pay for additional mercenaries and other extraordinary state expenses.

Early European states followed mercantilists policies that sought to produce wealth through trade ,by promoting exports and limiting imports. The German mercantilist Johann Becher said "that it is always better to sell goods to others than to buy goods from others, for the former brings a certain advantage and the latter inevitable damage"[22] Trade surpluses, then, earned wealth and power, but dependency supposedly weakened a state politically and economically This early stage of mercantilism , which focused narrowly on wealth by promoting exports and discouraging imports, is called classical mercantilism to distinguish it form later strains of mercantilist thought .[23]

As trade increased between these early nations, so did the opportunity for economic and political rivalry .The new states often employed a variety of protectionist trade and monetary measures along with other economic devices to increase their wealth and military power.[24] Yet, the policies a monarch adopted to generate and protect national wealth and security were often perceived to be at the expense of another state.

Thus, in an economically competitive and politically hostile environment, economic gains by one state w[illegible]ely to be perceived as losses of a competing state, conferring on a mercantilists zero-sum worldview . Likewise, because there was only so much bullion, states felt better off having more than less of it. This tendency to see power in terms of absolute gains and losses related to trade and treasure also contributed to the idea that war was a permanent feature of the international political economy.

Colonialism, supplemented by the military power of state, became an important instrument in mercantilist efforts to control trade. Colonies served as exclusive markets for the goods of the mother country, as a source of raw materials or goods that would have been bought from a competitive country, or a source of cheap labor. Thomas Mun, a successful trader and director of the East India Company, argued for "the overriding need for England to pursue a positive balance of trade."[25] In so doing the growing merchant class supported a strong state that would protect its interests, and in return the state sanctioned monopolistic merchant control over certain industries related to the profit merchants and the state shared via commercial trade. Mercantilism has shared is the best described as the striving after political power through economic means. In the seventeenth and eighteenth centuries the emergence of strong national state, each competing with the other, formed the backdrop of mercantilist policies designed to foster economic growth and so raise revenue - if necessary for the waging of war. The economy was put to the service of the policy. In the circumstance of the time, it meant the encouragement of trade and manufacture, the pursuit of protectionist policies, and the stimulation of export trade rather than the improvement of land.[26]

For mercantilists the North-South gap emerged with the European empires. Especially, the economic strategy underlying the relationship between colonies and colonizers during this era of "classical imperialism" is known as mercantilism: an economic philosophy advocating government regulation of economic life to increase state power and security. European rulers believed that power flowed from the possession of national wealth measured in terms gold and silver, and that developing mining and industry to attain a favorable balance of trade [exporting more than they imported] was the best way to accumulate the desired bullion. "Colonies were desirable in this respect because they afforded an opportunity to shut out commercial competition; they guar1n~gexclusive access to untapped markets and sources of cheap materials [as well as , in some instances, direct sources of the precious metals themselves]. Each state was determined to monopolize as many of these overseas mercantile opportunities as possible".[27] To maximize national power and wealth, states saw the conquest of foreign territory as a natural by product of active government management of the economy. The European colonialism expanded around the world by exploited the resources and materials in the south it had helped the rich countries to become richer and the poor countries still under poverty.

For mercantilists there is continuity in the fact that wealth and power creation are connected, that means the South countries or developing countries will still be living under poverty if they can't build its power and security by producing wealth through trade, by promoting exports and limiting imports, like Europeans during the colonization.

If for the seventeenth and eighteenth centuries mercantilist writers and policy-makers the economy was intended to serve the power and glory of the [nation] state, with the writing of Adam Smith in the nineteenth century this picture was entirely reversed. He wrote in An Inquiry in to the Nature and Causes of the Wealth of Nations! 776:

Political economy, considered as a branch of the science of a state man or legislator, proposes two distinct objects" first, to provide a plentiful revenue or subsistence fro the people... and secondly, to supply the state ... with a revenue sufficient for the public services.[28]

According to Adam Smith the "wealth" of nation was different from what it been for the mercantilists. For Smith wealth consisted of real goods and services [not just the ability to maintain a large army], and a nation was rich or poor according to its annual production in proportion to its population. It is interesting that the world community has maintained this definition of wealth up to this day. This is evidenced in the universal use of the term gross domestic product [GDP] per capita. Also, for Smith, the nation was coextensive with all its people, not just the upper classes or the body politic as had been the case with the mercantilists.[29]

But the biggest different , the great watershed between mercantilist and Smith, lay in that the mercantilists concentrated on the transfer of wealth from the nation to the rulers to enable them to wage war against the nations enemies.

Mercantilism thus refers to the period of history when newly emerging nation-state faced the problem of security. The political philosophy of mercantilism told national leaders how they could create a virtuous cycle of power and wealth that would allow them to achieve security and prosperity. Mercantilist policies included restrictions on imports, "encouragements" to exports, such as subsidies and the development of colonial empires. These classical mercantilist policies were not ends in themselves but rather mean the end of wealth, power, and national security.

Mercantilists believe that the North represents the developed countries, because they have the power to produce the wealth. In contrast, the South represents the developing countries because they haven't the power to build the wealth. For this reason the North-South gap will continue until the South builds its power to produce the wealth.

2.2. Liberalism Theory

The dominant school has long been the liberalist or traditional school. Despite the great diversity of views within this school, its adherents believe in the principle that both the rich and poor countries benefit from free international trade.

Liberals believe that the growth of interdependence has widespread benefits, and they often argue that the North-South linkage provide even more benefits to LDCs(Less Developed Countries) than to the developed states. The economic problems of LDCs, from the liberal perspective, stem more from their inefficient domestic policies than from their dependent position in the global economy. Thus, LDCs that follow open economic policies and increase their linkage with the developed state are most likely to achieve successful development. Although all liberals encourage LDCs to follow open, market-oriented policies. Interventionist liberals [also called reformist liberals] recognize that inequalities between the North and South can put the third world states at a distinct disadvantage. Unlike orthodox liberals, who emphasize equal treatment and reciprocity, interventionist liberals call on Northern states to give more consideration to the special needs of the south. Nevertheless, interventionist liberals believe that the necessary changes can occur within the existing capitalist order, and they share the faith of other liberals in private enterprise and the market.[30]

Liberals support free trade as the on1y possible way to promote mutual growth of all parties involved. They say that the problems of the South lie in its resistance to adopt the market system and its incapability to conduct domestic economic policies in accordance with the free trade rules. They believe in openness. There is not necessarily anything wrong with a country specializing its production to a considerable degree. To a great extend, such specialization is a necessary condition of international trade. Trade may even be more important for the developing countries than for the industrialized countries, as their domestic market are smaller. Many liberalists consider export-based growth as effective in promoting development.

So, Liberalism emphasizes international cooperation, especially through worldwide free trade to increase the wealth for the developing countries, during this way the developing countries can produce economic growth.

2.3. Marxist and Neo-Marxist Theories

Marxist and Nee-Marxist theories take a view that is opposite to that of the international market system. Southern countries, it is argued, are poor and exploited because of their history as subordinate elements in the world capitalist system. This condition will persist for as long as they remain part of that system. The international market is under the control of monopoly capitalists whose economic base is in the developed economies. The free flow of trade and investment, so much desired by liberals, enable the capitalist classes of both the developed and underdeveloped countries to extract the economic wealth of the underdeveloped countries for their own use. The result is the impoverishment of the masses of the Third World. Trade between North and South is an unequal exchange, as control of the international market by the monopolies/oligopolies headquartered in the developed capitalist countries leads to declining prices for the raw material produced by the North. Thus the terms of trade of the international market are biased against the South in addition, international trade encourages the South to concentrate on backward forms of production that prevent development. The language of comparative advantage used by liberal free-traders masks their desire to maintain an international division of labor that is unfavorable to the South.[31]

Foreign investment further hinders and distorts Southern development, often by controlling the most dynamic local industries and expropriating the economic surplus of these sectors through the repatriation of profits, royalty fees, and licenses. According to many Marxists, there is a net outflow of capital from the South to the North. In addition, foreign investment contributes to unemployment by establishing capital-intensive production, aggravating uneven income distribution, displacing local capital and local entrepreneurs, adding to the emphasis on production for export, and promoting undesirable consumption patterns.[32]

Another dimension of capital creation and perpetuation of underdevelopment is the international financial system. Trade and investment remove capital from the South and necessitate Southern borrowing from Northern financial institutions, both public and private. But debt service and repayment further drain Third World wealth. Finally, foreign aid reinforces the Third World's distorted development by promoting foreign investment and trade at the expense of true development and by extracting wealth through debt service. Reinforcing these external market structures of dependence, according to some Marists and nee-Marxists, are clientele social classes within the underdeveloped countries. Local elites with a vested interest in the structure of dominance and a monopoly of domestic power cooperate with international capitalist elites to perpetuate the international capitalist system.

Because international market operations and the clientele elite perpetuate dependence, any development under the international capitaist system is uneven, distorted, and, at best, partial. For most Marxists and neo-Marxists, the only appropriate for development is revolutionary: total destruction of the international capitalist system and its replacement with an international socialist system. They differ on whether it is necessary for the revolution to be global, but they agree that revolutionary change is the only way to achievet~tJ fvelopmentin the south

In addition to Mrxis, Immanuel Wallerstein In his book, The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century, Immanual Wallerstein develops a theoretical_framework to understand the historical changes involved in the rise of the modern world. The modern world system, essentially capitalist in nature, followed the crisis of the feudal system and helps explain the rise of Western Europe to world supremacy between 1450 and 1670. According to Wallerstein, his theory makes possible a comprehensive understanding of the external and internal manifestations of the modernization process during this period and makes possible analytically sound comparisons between different parts of the world. The capitalist world economy, as envisioned by Wallerstein, is a dynamic system which changes over time. However, certain basic features remain in place. Perhaps most important is that when one examines the dynamics of this system, the core regions of northwestern Europe clearly benefited the most from this arrangement. Through extremely high profits gained from international trade and from an exchange of manufactured goods for raw materials from the periphery (and, to a lesser extent, from the semi-peripheries), the core enriched itself at the expense of the peripheral economies. This, of course, did not mean either that everybody in the periphery became poorer or that all citizens of the core regions became wealthier as a result. In the periphery, landlords for example often gained great wealth at the expense of their underpaid coerced laborers, since landowners were able to expropriate most of the surplus of their workers for themselves. In turn in the core regions, many of the rural inhabitants, increasingly landless and forced to work as wage laborers, at least initially saw a relative decline in their standard of living and in the security of their income. Overall, certainly, Wallerstein sees the development of the capitalist world economy as detrimental to a large proportion of the world's population.

Through this theory, Wallerstein attempts to explain why modernization had such wide-ranging and different effects on the world. He shows how political and economic conditions after the breakdown of feudalism transformed northwestern Europe into the predominant commercial and political power. The geographic expansion of the capitalist world economy altered political systems and labor conditions wherever it was able to penetrate. Although the functioning of the world economy appears to create increasingly larger disparities between the various types of economies, the relationship between the core and its periphery and semi-periphery remains relative, not constant. Technological advantages, for example, could result in an expansion of the world economy overall, and precipitate changes in some peripheral or semi-peripheral areas. However, Wallerstein asserts that an analysis of the history of the capitalist world system shows that it has brought about a skewed development in which economic and social disparities between sections of the world economy have increased rather than provided prosperity for all.

2.4. Structuralism Theory

Structuralists agree with Marxists that free trade promotes unequal exchange with most of its benefits going to the rich countries. However, they argue that it is not a necessary aspect of the system. They explain the dual structure of society when some people live in primitive conditions and some are linked to the global economy because of their work in export industry. They believe that industrialization of the South can be achieved within a reformed international market by the control of the population (education of women and urbanization), diversification of economy through import and export substitution, and regional integration.

By regional integration structuralists mean creating of trade groups among several developing countries in order to look more attractive and reliable to the foreign investors. The trouble with this theory is the question of its practical implication. There is a political problem linked to the economic issue: how can the weakest countries change the status quo against the will of the strongest countries? Another question is whether reform is possible and what is necessary to do for its enforcement.

The major objections of the developing countries are to overcome poverty and inequality, to achieve growth and to play an important role in the global economy decision-making process. Developing countries wanted to change the system or to get adopted to it with the minimum cost to their economy. There are several general Southern strategies to achieve these goals, which were acquired after many years of samples and mistakes, such as "the attempt to delink themselves from some aspects of the International economic system, the attempt to change the economic order itself, and the attempt to maximize the benefits from integration into the prevailing system."[33]

According to the historical development of the poor countries, the period of decolonization and industrialization after the World War II was aimed at achieving independence and escaping the poverty. Some theoretical attempts to industrialize the domestic economy were to take advantage of cheap labor in order to attract investors, to produce more food and then invest the money in industry, and to improve educational system. The first idea is not applicable today when the blue-collar workers are less important than before. Production of more food created competition among the countries with similar export. Therefore obtaining enough money for the industrialization from exporting food became more difficult. Education required a lot of time and training, which might work in a long run prospective, but would not immediately contribute to the economic growth to the country.

As a result of decolonization, the poor countries achieved political independence but did not obtain economic one. In many cases developing countries experienced hardships in having some other state but their Mother country as their financial provider. The economies of the developing countries were short of capital and technical skills. Both factors constituted the dependence of the Southern countries on the technology and financial resources of the developed countries. Another wave of dependence was that developing countries based their economies on one exporting material and therefore soon became dependent on their Mother countries, which were interested in one or two industries producing the necessary material and kept other industries undeveloped.

Another bad consequence of the dependence of the developing countries on a single commodity was that the price drop on this very commodity influenced the whole economy and destabilized it. All seemed to benefit from the free trade system but the developing countries; that is why they were suspicious of its effectiveness. In order to limit their dependence, developing countries started two new strategies called the import substitution strategy (IS) and the export substitution strategy (ES). IS meant to stop importing things and make them at home by developing new industries. ES meant to export a wide;t~5of goods than one commodity. As practice has shown, export substitution worked better than import substitution because developing countries of Asia prospered using the export substitution policy, while developing countries of Latin America did not succeed in reducing the income gap between the North and the South by using import substitution. The failure of import substitution happened as a result of the huge foreign investment and the less permanent use of high tariffs barriers.

Another way to achieve economic growth for developing countries was to ask the United Nations for help in terms of foreign aid and special trade preferences such as lower tariffs. As a result of this unison cry for changes Group of Seventy-Seven (G-77) was created "to act as a permanent political block representing the interests of the developing countries in the UN"[34] The formation of the United Nations Conference on Trade and Development (UNCTAD), which presented the ideas of structuralists about the greater aid flows, restricting of free trade and control of multinational corporations, reflected the confrontations between rich and poor countries in UN.

The attempt of the poor countries to establish their assembly in order to influence the rich countries went even further. In 1974 developing countries called for a New International Economic Order (NIEO), which appeared out of the threat and the promise of the economic crisis. Its success depended on the unity of the Southern countries, credibility of their export products and understanding their vulnerability by the North. The NIEO failed because none of these three steps were completed. First of all, there was a growing gap between the Newly Independent Countries and the least developed countries. Besides, the commodity became less valuable for the North, whose demand for raw materials was declining. Another factor was that the North did not want to make any changes apart from what they were always willing to do. The North offered its help by agreeing to transfer the funds, to offer advice for learning about export strategies, to prevent degradation of the global environment and to reduce the flow of the Southern people to North the failure of the NIEO did not resolve the North-South issue. After the second oil shock(1981) it became obvious that oil producers and developing countries following the export substitution strategy were doing very well.

On the other hand, the countries, which were strongly against free trade system, did not succeed in achieving their economic independence. Favored by many Southern countries in theory, protectionism did not work in terms of free trade system pursued by the majority. Therefore, the effort of the 60s and 70s aimed on removing free trade and using the protectionism instead seemed very obscure. In the 80s the issues of pollution, debt and migration dominated the North-South agenda. Until the debt crisis of the 1980s, which created a big problem in the developing world because the banks in the developed countries stopped lending money to the South, the developing countries did not like the idea of managing multinational corporations. After the crisis southern strategy of control and hostility to multinational corporations shifted towards more pragmatic politics because of the decline in foreign investment flows and globalization of the world economy. Multinational corporations were recognized as "necessary evil at worst and contribution to the development process at best"[35] Most of the foreign investment in the Third World countries is the direct investment through multinational corporations. Multinational corporations try to concentrate their investments in developing countries of Asia and Latin America. They focus on extraction of minerals, energy, forests and agricultural resources; promoting manufacturing; and establishing such services as telecommunications, finance, insurance and transportation.

The multinational corporation has human resources, capital (technology and management), money, access to global markets and political influence of its home country. The host country has the power to control the scarce resources and legal environment. This power is called the bargaining advantage and is used by the South to impose restrictions on the multinational corporation. At the same time, the host wants to get most of the things the multinational corporation can offer such as jobs, technology, tax revenues, foreign exchange, money and access to foreign markets. Therefore, the host does not want to deter potential investor by creating too many restrictions. Besides, the multinational corporation has hard time deciding whether it wants to take the risk of investing in that particular host country. Absence of competition for investment opportunities also reduces the ability of the host to dictate its rules. All those factors weaken the power of the host to use its bargaining advantage.

The positive factors of the multinational corporations for the South are "the improvement of the labor and products' quality, the increasing money flows and domestic investment, knowledge of foreign markets and technology.[36] The negative effects are that the host does not benefit as much as the multinational corporation and pays a lot of extra money for the use of technology. Besides, the political intervention by multinational corporations in the country's politics deprives the host from its complete sovereignty. Also, such things as inappropriate market development and transfer pricing reflect the unfair treatment of the host by the multinational corporation. Nevertheless, direct investment is very important for the development of the South because it ties together capital, money, technology and links it to the global economy.

After looking at so many different ways to deal with the North-South issue, the most sobering response is the recognition that there are no easy solutions and standard policy prescriptions. Solutions must lie in an approach that links economic policy and social development. The excessive concentration on the economic factors deprived the South from its social role by naming North elite and South the subordinate/periphery. The North-South gap can be reduced by the reforms, which should be aimed on economic growth of the developing countries and on their social development as an equal member of the society. New forms of foreign participation such as "joint ventures, management contracts, licensing agreements"[37] may bring a difference in the relationship between the North and the South by promoting their cooperation rather than the conflict.

Chapter 3

Globalization and The Third World Problems

3.1. The Globalization

Globalization has been described as the "intensification of economic, political and cultural relations across borders" that is noticed in the following pieces of evidence: the average daily turnover in foreign exchange increased from $200 billion in the mid-1980s to approximately $1.2 trillion in 1996; net capital flows to developing countries grew from an annual average of $44 billion for the period 1983-88 to $197 billion in 1996; and foreign direct investments increased from $10 billion to $91 billion. However, it has also been noticed that "the worldwide gap between the rich and the poor has become a vast chasm. Both within and between countries, the rich grow richer at the expense of the poor." By IMF staff, Lee who adds that the share of income of the poorest 80 percent of the global population has fallen from 2.3 to 1.4 percent in the last 30 years while the share of the richest 20 percent of the global population has increased from 70 to 85 percent. More than 1 billion people live in countries where average per capita income fell between 1980 and 1993. Lee has even quoted the United Nations Development Program administrator, Gustave Speth, who maintains that if the world continues down its current path, "economic disparities between industrial and developing nations will move from inequitable to inhuman."[38]

Globalization offers extensive opportunities for truly worldwide development but it is not progressing evenly. Some countries are becoming integrated into the global economy more quickly than others. It had many obstacles because of European power conflicts especially in the last century. Countries that have been able to integrate are seeing faster growth and reduced poverty. Outward-oriented policies brought dynamism and greater prosperity to much of East Asia, transforming it from one of the poorest areas of the world 40 years ago, although the globalization a newly emerged concept. Also as living standards rose, it became possible to make progress on democracy and economic issues such as the environment and work standards.

The crisis in the emerging markets in the 1990s have made it quite evident that the opportunities of globalization do not come without risks -- risks arising from volatile capital movements and the risks of social, economic, and environmental degradation created by poverty. This is not a reason to reverse direction, but for all concerned -in developing countries, in the advanced countries, and of course investors -- to embrace policy changes to build strong economies and a stronger world financial system that will produce more rapid growth and ensure that poverty is reduced.

Globalization has become a way to describe changes in international economy and in world politics. It is defined as the free movement of goods, services, labour and capital across borders. Globalization is a result of reduced transportation and communication costs, lower trade barriers, faster communication, rising capital flows, increased competition, standardization, and migration to mention a few key causal factors. The process has brought the developed economies closer together and made them more strongly interrelated. In the new era of growing integration of economies and societies, individuals and corporations reach around the world further, faster, and more economically than before. This subjects states and individuals to more intense developed market forces by causing rapid changes in trade relations, financial flows, and the mobility of labour across the world. However, there is a large heterogeneity in the degree of the process of globalization over time and across countries and regions and also within countries. This heterogeneity causes disparity in development, especially in the negative effects such as rising inequality within and between countries, and urges the need to find the sources of disparity and the quantification of its magnitude and impacts on the living conditions of the world population. [39]

In recent years, theoretical research on the link between globalization and world inequality and poverty has been intense. However, analysis of the link at the empirical level is scarce. Globalization generally is expected to reduce poverty through faster growth in more integrated economies. Extensive empirical research on the causal connections between globalization and inequality in developing nations during the preglobalisation phase shows that there is no structural relationship between growth and inequality, and income inequality levels were generally immobile and trendless . Despite the great importance that in recent decade is placed on the globalization process, its sources [illegible]sequences remain poorly understood. The channels through which globalization affects world inequality have been identified as commodity price equalization, factor price convergence, capital mobility and differentials in marginal products and rates of return of capital among countries, and dynamic convergence in per capita income growth."[40]

Inequality has long been a defining feature of world politics. This thesis draws together evidence that it has been increasing, both within and across states, and examines the consequences. Immense and increasing disparities of wealth, of power, and of security shape the world in which we live. Economic liberalization is exacerbating the gap between rich and poor within virtually all developing regions. At the same time, other elements of globalization are increasing the inequalities of political power and influence, as well as highlighting new dimensions of inequality. For one group of countries globalization is eroding the cohesion and viability of the state. However, other countries and actors are empowered by processes of globalization, since they are better placed to adapt and exploit its new opportunities.

Equally, the disparity of power among states is becoming more marked and more visible as an increasing volume of ever more far-reaching rules, rights, and values are being asserted and imposed at the global level. New rules and norms, whether about investment, military, security, environmental management, or social policy, are being made by those countries with the power to shape outcomes and to control international institutions. Less powerful states are, even more than in the past, becoming 'rule-takers'. Equally, technological advances, far from creating more equality among states and other grpups, are in fact widening gaps among states and regions. In the military sphere, for example, advanced technologies and the so-called revolution in military affairs may be leading to a recentralization of military and coercive power around the United States and its core allies. Overall, then, globalization is exacerbating inequalities of resources, capabilities, and, perhaps most importantly, the power to make and break rules in the international arena.

3.1.1. The Globalization Process

Economic globalization is not a new process, for in the past five centuries firms in the economically advanced countries have increasingly extended their outreach through trade and production activities (intensified in the colonial period) to territories all over the world. However, in the past two to three decades, economic globalization has accelerated as a result of various factors, such as technological developments but especially the policies of liberalization that have swept across the world.

The most important aspects of economic globalization are the breaking down of national economic barriers; the international spread of trade, financial and production activities and the growing power of transnational corporations and international financial institutions in these processes. While economic globalization is a very uneven process, with increased trade and investment being focused in a few countries, almost all countries are greatly affected by this process. For example, a low-income country may account for only a minuscule part of world trade, but changes in demand or prices of its export commodities or a policy of rapidly reducing its import duties can have a major economic and social effect on that country. That country may have a marginal role in world trade, but world trade has a major effect on it, perhaps a far larger effect than it has on some of the developed economies.

The external liberalization of national economies involves breaking down of national barriers to economic activities, resulting in greater openness and integration of countries in the world markets. In most countries, national barriers are being removed in the area of finance and financial markets, trade and direct foreign investment. Of the three aspects of liberalization (finance, trade and investment), the process of financial liberalization has been the most pronounced. There has been progressive and extensive liberalization of controls on financial flows and markets.[41]

Due to the interconnectedness of financial markets and systems and the vast amounts of financial flows, there is a general and increasing concern about the fragility and vulnerability of the system, and the risk of breakdown in some critical parts or in the general system itself as a fault developing in one part of the world or in the system can have widespread repercussions.

The concerns about a possible global financial crisis have been heightened by the East Asian financial crisis that began in the second half of 1997 and which spread to Russia, Brazil and other countries, causing the worst financial turmoil and economic recession in the post World War II period.

Trade liberalization has also gradually increased, but not at such a spectacular pace as with finance. World exports rose from $61 billion in 1950 to $315 billion in 1970 and $3,447 billion in 1990. The share of world exports in world GDP rose from about 6 per cent in 1950 to 12 per cent in 1973 and 16 per cent in 1992. The increased role of trade has been accompanied by the reduction in tariff barriers generally in both developed and developing countries, partly due to autonomous policies and partly to the series of multilateral trade Rounds under GATT. However, high tariffs still persist in developed countries in sectors such as agriculture and textiles and for selected manufactured products, which are areas in which developing countries have a comparative advantage. Moreover, there has been an increased use of non-tariff barriers which have affected the access of developing countries to the markets of developed countries.[42]

There has also been a steady growth in liberalization of FD!, although again on a smaller scale than in international financial flows. Much of FD! and its increase are due to flows among the advanced countries. However, since the early 1990s, FDI flows to developing countries have risen relatively, averaging 32 per cent in 1991-1995 compared with 17 per cent in 1981-1990. This coincides with the recent liberalization of foreign investment policies in most developing countries. However, much of this FDI has centred in only a few developing countries. LDCs in particular are receiving only very small FDI flows, despite having liberalized their policies. Thus, FDI is insignificant as a source of external finance to most developing countries, and is likely to remain so in the next several years.[43]

A major feature of globalization is the growing concentration and monopolization of economic resources anl ~9,~erby transnational corporations and by global financial firms and funds. This process has been termed "transnationalization", in which fewer and fewer transnational corporations are gaining a large and rapidly increasing proportion of world economic resources, production and market shares. Where a multinational company used to dominate the market of a single product, a big transnational company now typically produces or trades in an increasing multitude of products, services and sectors. Through mergers and acquisitions, fewer and fewer of these TNCs now control a larger and larger share of the global market, whether in commodities, manufactures or services. The top 200 global corporations accounted for $3,046 billion of sales in 1982, equivalent to 24 per cent of world GDP ($12,600 billion) that year. By 1992, their sales had reached $5,862 billion, and their equivalent value to world GDP ($21,900 billion) had risen to 26.8 per cent.[44]

3.1.2. The Globalization of Policy-Making

Perhaps the most important and unique feature of the current globalization process is the "globalization" of national policies and policy-making mechanism. National policies (including in economic, social, cultural and technological areas) that until recently were under the jurisdiction of States and people within a country have increasingly come under the influence of international agencies and processes or by big private corporations and economic/financial players. This has led to the erosion of national sovereignty and narrowed the ability of governments and people to make choices from options in economic, social and cultural policies.

Most developing countries have seen their independent policy-making capacity eroded, and have to adopt policies made by other entities, which may on balance be detrimental to the countries concerned. The developed countries, where the major economic players reside, and which also control the processes and policies of international economic agencies, are better able to maintain control over their own national policies as well as determine the policies and practices of international institutions and the global system. However, it is also true that the large corporation have taken over a large part of decision-making even in the developed countries, at the expense of the power of the State or political and social leaders.

Part of the erosion of national policy-making capacity is due to the liberalization of markets and developments in technology. For example, the free flow of capital, the large sums involved, and the unchecked power of big players and speculators, have made it difficult for countries to control the level of their currency and the flow of money in and out of the country. Transnational companies and financial institutions control such huge resources, more than what many (or most) governments are able to marshal, and thus are able to have great policy influence in many countries. Certain technological developments make it difficult or virtually impossible to formulate policy. For example, the establishment of satellite TV's and the availability of small receivers, and the spread of the use of electronic mail and the Internet make it difficult for governments to determine cultural or communications policy, or to control the spread of information and cultural products. However, an even more important aspect is the recent process by which global institutions have become major makers of an increasingly wide range of policies that are traditionally under the jurisdiction of national governments. Governments now have to implement policies that are in line with decisions and rules of these international institutions. The key institutions concerned are the World Bank, the IMF and the WTO.[45]

There are also other influential international organizations, in particular the United Nations, its agencies, treaties and conventions and world conferences. However, in recent years, the UN has lost a lot of its policy and operational influence in economic and social matters, and correspondingly the powers and authority of the World Bank, IMF and GATT/WTO have expanded.

The Bretton Woods institutions wield tremendous authority in a majority of developing countries requiring debt rescheduling have to adopt structural adjustment policies (SAPS) that are mainly drawn in the Washington institutions. SAPS cover macroeconomic policies and recently they also cover social policies and structural issues such as privatization, financial policy, corporate laws and governance. The mechanism of making loan disbursement conditional on these policies has been the main instrument driving the policy moves in the indebted developing countries towards liberalization, privatization, deregulation and a withdrawal of the State from economic and social activities. Loan conditionalities have thus been the major mechanism for the global dissemination of the macroeconomic policy packages that are favoured by governments of the North.

The Uruguay Round negotiations greatly expanded the powers of the GATT system, and the Agreements under the GATT's successor organization, the WTO, have established disciplines in new areas beyond the old GATT, including intellectual property rights, services, agriculture and trade-related investment measures. According to several analyses, the Uruguay Round has been an unequal treaty, and the WTO Agreements and system (including the decision-making system) are weighted against the interests of the South. The existing agreements now require domestic legislation and policies of member States to be altered and brought into line with them. Non-compliance can result in trade sanctions being taken against a country's exports through the dispute settlement system, thus giving the WTO a strong enforcement mechanism. Thus, national governments have to comply with the disciplines and obligations in the already wide range of issues under WTO purview. Many domestic economic policies of developing countries are thus being made in the WTO negotiations, rather than in Parliament, bureaucracy or Cabinet at the national level.

There are now attempts by Northern governments to expand the jurisdiction of the WTO to yet more areas, including rights to be granted to foreign investors, competition policy, government procurement practices, labour standards and environmental standards. The greater the range of issues to be taken up by the WTO, the more will the space for national policy-making (and development options) in developing countries be whittled away.

Another major development is the proposal for a multilateral agreement on investments (MAI). The attempts at an MAI in the OECD have failed so far and attempts have been made to begin negotiations at the WTO for an international investment agreement. The original MAI model would require signatory States to remove barriers to the entry and operations of foreign companies in almost all sectors, allow them full equity ownership, and to treat foreign investors at least as well as local investors and companies. There would also be no controls over the inflow and outflow of funds, and re<l]:~ements for technology transfer or other social goals would

be prohibited. The MAI and similar types of investment agreements would be another major instrument in getting developing countries to open up their economies, in this case in the area of investment. However, while the World Bank, IMF, WTO and the OECD are the most powerful, the United Nations and its agencies also form an alternative set of global institutions. Recent years have seen several UN World Conferences on Environment (1992), Population, Social Development (1995), Women (1995), Habitat (1996), Genetic Resources (1996), Food (1996), and the UNCTAD Conferences (1996 and 2000). The UN General Assembly and its subsidiary bodies, its agencies, Conferences and legally binding Conventions, which are much more transparent and democratic, also influence the content of globalization and as well as national policies, at least potentially.[46]

The UN approach in economic and social issues is different from that of the WTO and Bretton Woods institutions. The latter promote the empowerment of the market, a minimal role for the State, and rapid liberalization. Most UN agencies on the other hand operate under the belief that public intervention (internationally and nationally) is necessary to enable basic needs and human rights to be fulfilled and that the market alone cannot do the job and in many cases hinders the job being done.

The Bretton Woods-WTO institutions have become much more powerful than the UN, whose authority and influence in the social and economic areas have been depleted in recent years. As a result, the type of globalization promoted by the Bretton Woods and WTO has predominated, while the type of globalization promoted by the UN has been sidelined. This reflects the nature of the globalization process. The former institutions promote the principles of liberalization, the laissez-faire market model and give high priority to commercial interests, and thus they are given the role to lead the globalization of policy-making. The UN and its agencies represent the principles of partnership, where the richer countries are expected to contribute to the development of the poorer countries and where the rights of people to development and fulfillment of social needs are highlighted. The kind of globalization represented by the UN is not favoured by the powerful nations today, and thus the UN's influence has been curtailed.

3.1.3. Weaknesses of the South in Facing the Globalization Challenge

Most countries of the South have been unable to reap benefits from globalization because of several weaknesses. Nayyar (1997) examines this phenomenon of "uneven development", showing how globalization mainly benefits the developed world, while in the developing world, the benefits of accrue only to a few developing countries. There are only eleven developing countries which are an integral part of globalization in the late twentieth century. They accounted for 66 per cent of total exports from developing countries in 1992 (up from 30 per cent in the period 1970-1980); 66 per cent of annual FDI inflows to developing countries in 1981–1991; and most of portfolio investment flows to the developing world. Some of these eleven countries have since been badly affected by financial crises, debt and economic slowdown, thus diluting further the rate of success of the South in integration in the world economy.

The South's weaknesses stem from several factors. Developing countries were economically weak to begin due to the lack of domestic economic capacity and weak social infrastructure following the colonial experience. They were made weaker by low export prices and significant terms-of-trade decline as well as the debt crisis and the burden of debt servicing. The policy conditionalities attached to loan rescheduling packages hampered the recovery of many countries and led to further deterioration in social services. Given the unequal capacities of North and South, the development of technology (especially information and communications technologies) further widened the gap. On top of these unfavourable international factors, many developing countries have also been characterized by dictatorships, abuse of power and economic mismanagement, which undermined the development process. All these factors meant that the South was in a weak position to take on the challenges of globalization, as the conditions for success in liberalization were not present. Given the lack of conditions and preparedness, rapid liberalization caused more harm than benefit

The South's weakness also stems from its lack of bargaining and negotiating strength in international relations. Being heavily indebted and dependent on bilateral aid donors and multilateral loan organizations, developing countries have been drained of their capacity to negotiate (even on the terms of loan conditionalities). The powers of the United Nations, in which the South his in a more favourable position, have been diminished, whereas the mandate and powers of the institutions under the control of developed countries (the IMF, World Bank and WTO) have been increased tremendously. The North has leverage in the Bretton Woods institutions and the WTO to shape the content of globalization to serve their needs, and to formulate policies which the developing countries have to take on.

Although the North is in a dominant position and has been prepared to use this to further their control of the global economy, the South is also not helpless but can better organize its responses as well as its own proposals. However, the South as a whole has not done well in organizing itself to coordinate on substantial policy and negotiating positions, or on strategy in relation to the discussions and negotiations in the WTO and IMF as well as other forums. The developed countries are well placed to determine the globalization agenda. They are well organized within their own countries, with well staffed departments dealing with international trade and finance, and with university academics and private and quasi-government think tanks helping to obtain information and map policies and strategies. They also have well-organized associations and lobbies associated with their corporations and financial institutions, which have great influence over the government departments. The developed countries also have institutions and mechanisms helping to coordinate their policies and positions, for example the European Commission, the OECD and the Group of Seven, and their subsidiary bodies and agencies.

In contrast, the developing countries are not well organized. The government departments dealing with the interface with the global economy are understaffed, especially in relation to the rapid developments in globalization and in global negotiations. The academic sector and the few think-tanks are not geared up to obtain and assess information on globalization trends, and less still to formulate policy proposals that governments can make use of. The links between these intellectual sectors, the NGOs and governments are also often weak. The business and financial community is not organized well enough to monitor global trends, or to lobby governments on global issues. At the regional level, there is increasing collaboration among the countries, through regional groupings. However, cooperation is still not as sophisticated as in the European Union. At the international level, the South is organized through the Group of 77 and the Non-Aligned Movement. These groupings often perform reasonable effectiveness within the UN framework and at UN meetings and Conventions. However, they are not adequately staffed, they are unable to keep track adequately of events and developments, or to formulate longer-term policies and strategies. At the WTO, IMF and World Bank, the collective strength of developing country members has yet to be manifested in a strong way, although there are encouraging signs of more collaboration, for example at the WTO.[48]

3.1.4. Trade Liberalization

The benefits and costs of trade liberalization for developing countries constitute an increasingly controversial issue. The conventional view that trade liberalization is necessary and has automatic and generally positive effects for development is being challenged empirically and analytically. It needs time to examine the record and to formulate appropriate approaches towards trade policy in developing countries.

There is a paradox in the manner that developing countries in general and many scholars take towards this issue. On the one hand, it is almost invariably repeated that "we are committed to trade liberalization which is positive for and essential to growth and development." On the other, many developing countries also notice and are now actively complaining that trade liberalization has produced negative results for their economies, or has marginalized them.

The notion that all are gainers and there are no losers in trade liberalization has proven to be overly simplistic. Some countries have gained more than others; and many (especially the poorest countries) have not gained at all but may well have suffered severe loss to their economic standing. Only a few countries/ the developing countries) have enjoyed moderate or high growth in the last two decades while an astonishing number have actually suffered declines in living standards (measured in per capita income). The UNDP's Human Development Report, 1999 states: "The top fifth of the world's people in the richest countries enjoy 82 per cent of the expanding export trade and 68 per cent of FDI - the bottom fifth, barely more than 1 per cent. These trends reinforce economic stagnation and low human development. Only 33 countries managed to sustain 3 per cent annual growth during 1980-1996. For 59 countries (mainly in sub-Saharan Africa and Eastern Europe and the CIS) GNP per capita declined. Economic integration is thus dividing developing and transition economies into those that are benefiting from global opportunities and those that are not."[49]

A clear explanation of why trade liberalization has had negative results is found in TDR.99. The report found that for developing countries (excluding China) the average trade deficit in the 1990s was higher than in the 1970s by 3 percentage points of GDP while the average growth rate was lower by 2 percentage points. In discussing why trade deficits have been increasing faster than income in developing countries, the report concludes: "The evidence shows that a combination of declining terms of trade, slow growth in industrial countries and 'big bang' liberalization of trade and of the capital account in developing countries has been a decisive factor".[50]

On the role of rapid trade liberalization in generating the wider trade deficits, the UNCTAD report said: "It (trade liberalization) led to a sharp increase in their import propensity, but exports failed to keep pace, particularly where liberalization was a response to the failure to establish competitive industries behind high barriers. With the notable exception of China, liberalization has resulted in a general widening of the gap between the annual growth of imports and exports in the 1990s, but the impact was particularly severe in Latin America, where the gap averaged about 4 percentage points.?"

One conclusion that can be drawn from the report is that if trade liberalization is carried out in an inappropriate manner in countries that are not ready or able to cope, or which face conditions that are unfavourable, it can contribute to a vicious cycle of trade and balance-of-payments deficits, financial instability, debt and recession.

The UNCTAD report's findings correspond with some recent studies that show there is no automatic correlation between trade liberalization and growth. Countries that rapidly liberalized their imports did not necessarily grow faster than those that liberalized more gradually or in more strategic ways.

For example, in a study of 41 least developed countries, the UNCTAD senior researcher Mehdi Shafaeddin (1994) found "no clear and systematic association since the early 1980s between trade liberalization and devaluation, on the one hand, and the growth and diversification of output and growth of output and exports of LDCs on the other. In fact, trade liberalization has been accompanied by deindustrialization in many LDCs, and where export expanded it was not always accompanied by the expansion of supply capacity". By contrast, the paper attributes success or failure of GDP and industrial growth to the volume of investment and availability of imports. "The design of trade policy reforms has also been an important factor in performance failure. "[52]

The Harvard University economist Dani Rodrick (1999) concludes that the trouble is the failure of production systems and there is no enough sense of free trade and capital flows. He argues that the major problem faced by developing countries is the trade liberalization and can't control the export and import products.[53] As a UNHCTAD note on TDR.99. Developing countries will still face hard circumstance for economic reforms and overcome of poverty and unemployment because of widening of trade deficits, deterioration in the balance of payments and the continuation or worsening of external debt, which act to constrain growth prospects and often result in persistent stagnation or recession.[54]

3.1.5. Financial Liberalization

Globalization in the financial sector has been driven by several factors. Among the major ones are: the policy choice of an increasing number of countries (starting with the developed economies, then taken on by many developing countries) of financial deregulation and liberalization (the opening up by a country to international capital flows); the development of technology, especially electronic communications (facilitating the massive cross-border movements of funds); the emergence of new financial instruments (such as derivatives) and financial institutions (such as highly-leveraged hedge funds); and the collapse of the international fixed exchange-rate system (thus making it possible for profit to be made from speculation on changes in the rates of currencies). Financial liberalization is a relatively recent phenomenon, but it has contributed to severe financial turmoil and economic losses to several developing countries that have integrated into the global financial markets. The developing countries have been drawn into the process of financial liberalization partly due to advice given by international financial institutions and to the mainstream view that there were great benefits to be derived from opening up to inflows of international capital. However, the risks of also opening up to volatility of short-term capital flows and to financial speculation and manipulation were not emphasized by the same advisors. Many developing countries that underwent the process of financial liberalization did not take precautionary measures or adhere to guidelines to minimize the risks. Instead, they went the opposite direction by deregulating, removing existing capital controls, allowing private banks and companies to take foreign-currency loans and allowing the trading abroad of their local currency.[55]

Having deregulated and liberalized their capital accounts, many developing countries were unable to defend themselves from the huge flows of international funds whose volumes have expanded dramatically in the past two decades, and from the new financial instruments and institutions (especially highly-leveraged funds) that have emerged in the field of financial speculation.

Volatility and Negative Effects of Short-Term Capital Flows

The latest round of financial crises that hit emerging markets, starting with Thailand in mid-1997 and spreading rapidly to other East Asian countries before also affecting Russia and Brazil, has dramatically exposed the negative effects caused by volatile short-term capital flows and the grave risks and dangers that accompany financial liberalization in developing countries. The latest crisis has also exposed the fallacy of the orthodox view that opening up to global finance would bring only or mainly benefits and little costs to developing countries. The Asian crisis followed a period of financial liberalization, which contributed to a build-up of vulnerability of the countries to external financial forces. When large inflows of short-term capital took place, it led to an asset price bubble that broke when speculative currency attacks and large capital outflows caused sharp depreciations which spread via contagion to other countries. The depreciations multiplied the burden of servicing foreign debt which had built up in a relatively short period especially by the local companies and banks. When Indonesia, the Republic of Korea and Thailand ran out of foreign reserves to service the debts, they approached the IMF to bail them out with massive loans.[56]

As UNCTAD Secretary-General Rubens Ricupero stated, in his closing speech at UNCTAD X in February 2000: "When trouble came, starting in Thailand in 1997, it brought with it a reversal of opinion. That episode revealed the sheer size of the financial flows that the industrial world could generate, relative to the normal size of flows of developing countries. The swift entry, and even swifter exit, of such massive flows made clear for all to see the havoc that can be unleashed on small and fragile financial systems that are open to such tidal waves of finance. Despite the commitment of many international agencies to the complete liberalization of capital markets right up to (and beyond) the hour of Asia's crisis, the same agencies now say that they can see some virtues in certain types of capital controls. Positive processes of integration into the world economy are the goal. This has never changed. However, the liberalization measures that are necessary to this end must be phased in a prudent and orderly manner. They must take account of specific local circumstances, they must be complemented by appropriate domestic policies and accompanied by institution- and capacity-building. Only then can they hope to succeed."[57]

Also at UNCTAD X, Yilmaz Akyüz, Head of the UNCTAD Macroeconomic and Development Policies Branch, summed up the lessons of the crises that hit Asia and other regions as follows: "The crisis has shown that when policies falter in managing integration and regulating capital flows, there is no limit to the damage that international finance can inflict on an economy. It is true that control and regulation over such flows may reduce some of the benefits of participating in global markets. However, until systemic instability and risks are adequately dealt with through global action the task of preventing such crises falls on governments in developing countries[58]

One of the most incisive analyses of the Asian Crisis is presented in Trade and Development Report, 1998. It shows that financial crises are very much part of the global system and the Asian case is only one. It gives a critique of why the IMF response converted a liquidity problem into a solvency crisis. Finally, it also proposes a range of crisis management measures, including a debt standstill and capital controls. As TDR.98 shows, the East Asian experience is only one of a series of many financial crises (for example, in Southern Cone of Latin America in the late 1970s and early 1980s, Latin America in the 1980s, European countries in 1992, Mexico in 1994) of the past two decades. These crises are caused by the intrinsic and volatile nature of the global financial system, after the closure of the fixed exchange rate system in the early 1970s. [59]

Globalization, on the other hand, came intensively after the decolonization period. The developing countries liberated its own land with huge responsibilities of political instability, social injustice and economic pressure. As a result, the developing countries were not ready to face the challenges of globalization which needs strong both political and economic dynamism. Unlike the developed countries, lack of technological means and social awareness, lack of proper economic and political regulations, poor infrastructure, poverty and many other factors would not allow the developing countries to face the challenges of globalization successfully.

3.2.THE THIRD WORLD PROBLEMS

Because this chapter examines a controversy over the label 'Third World' it is appropriate to begin with a definition. Anyone who has visited an underdeveloped country knows the scene: the sharp contrasts between rich and poor. At first sight, the modem capital city, with its international airport, skyscrapers, traffic jams, businesspeople, high-walled private homes, neon signs advertising luxury goods from every continent - and beggars, pollution, and shantytowns just beyond view of downtown. And then there is the rest of the country: unrelieved squalor, overpopulation inside infrastructure, such as housing, little schools, and unprogressive hospital, children with distended bellies, the most primitive technology, thatched-roof dwellings, a closeness to death. Destiny or politics? Merely two societies, one modem and advancing, the other backward and decaying; or structurally unequal system, the smaller part feeding off the larger?[60]

For the purpose of this survey the third world is defined as a group of countries which have colonial histories and which are in the process of developing economically and socially from a status characterized by low incomes, dependence on agriculture, weakness in trading relations, social deprivation for large segments of society, and restricted political and civil liberties. This definition acknowledges the process of change and therefore the probable diversity of countries within the group.[81] By this definition the third world comprises approximately 100 states in Africa, Asia, the Middle East, Latin America and the Caribbean. Their combined population of some 4 billions accounts for 75 percent of the world's total and their territories cover nearly 70 percent of the world's land area.[61]

A second way to define the third world is quintessentially realist: it consists of the developing economics in relation to the developed ones, as measured by the value of their resources, markets, and strategic situation. Third world countries are then defined as either threats to or opportunities for furtherance of developed countries or regional national interests.[62]

The underdevelopment of the third world is marked by a number of common traits; distorted and highly dependent economies devoted to producing primary products for the developed world and to provide markets for their finished goods; traditional, rural social structures; high population growth; and widespread poverty. Nevertheless, the third world is sharply differentiated, for it includes countries on various levels of economic development. And despite the poverty of the countryside and the urban shantytowns, the ruling elites of most third world countries are wealthy.

This combination of conditions in Asia, Africa, Oceania and Latin America is linked to the absorption of the third world into the international capitalist economy, by way of conquest or indirect domination. The main economic consequence of Western domination was the creation, for the first time in history, of a world market. By setting up throughout the third world sub-economies linked to the West, and by introducing other modem institutions, industrial capitalism disrupted traditional economies and, indeed, societies. This disruption led to underdevelopment.

Because the economies of underdeveloped countries have been geared to the needs of industrialized countries, they often comprise only a few modem economic activities, such as mining or the cultivation of plantation crops. Control over these activities has often remained in the hands of large foreign firms. The prices of third world products are usually determined by large buyers in the economically dominant countries of the West, and trade with the West provides almost all the third world's income. Throughout the colonial period, outright exploitation severely limited the accumulation of capital within the foreign-dominated countries. Even after decolonization (in the 1950's, 1960's, and 1970's, the economies of the third world developed slowly, or not at all, owing largely to the deterioration of the "terms of trade" - the relation between the cost of the goods a nation must import from abroad and its income from the exports it sends to foreign countries). Terms of trade are said to deteriorate when the cost of imports rises faster than income from exports. Since buyers in the industrialized countries determined the prices of most products involved in international trade, the worsening position of the third world was scarcely surprising. Only the oil-producing countries (after 1973) succeeded in escaping the effects of Western domination of the world economy.

Third World, the technologically less advanced, or developing, nations of Asia, Africa, and Latin America, generally characterized as poor, having economies distorted by their dependence on the export of primary products to the developed countries in return for finished products. These nations also tend to have high rates of illiteracy, disease, and population growth and unstable governments. The term Third World was originally intended t? distinguish the non-aligned nations that gained independence from colonial rule beginning after world war 2 from the Western nations and from those that formed the former Eastern bloc, and sometimes more specifically from the United States and from the former Soviet Union (the first and second worlds, respectively). For the most part the term has not included China. Politically, the Third World emerged at the Bandung Conference (1955), which resulted in the establishment of the Nonaligned Movement. Numerically, the Third World dominates the United Nations, but the group is diverse culturally and increasingly economically, and its unity is only hypothetical. The oil-rich nations, such as Saudi Arabia, Kuwait, and Libya, and the newly emerged industrial states, such as Taiwan, South Korea, and Singapore, have little in common with desperately poor nations, such as Haiti, Chad, and Afghanistan.63

In this chapter we will discuss the third word problems and those characteristics, those problems of the gap between the developed and less developed countries, and its effect. Also we will suggest some proposals to help us to solve the third world problems, especially, by help from the international communities instead of exploiting the third world countries. Especially after emerging of the new world order in the post cold war era, it needs more cooperation between the countries, however, with still the third world problems the new world order will never be successful. Also the gap between the first and the third world will persists (in the next chapter we will discuss the developing countries and emerging world order.

why isn't the world equal? Our world is divided into two - those who have and those who do not. Why do some people live in abject poverty and why do others live in the lap of luxury? Why are the children of these wealthy people given the opportunities that the children of those living in less fortunate circumstances are denied or have never even heard of?

3.2.1. Poverty

Poverty is a serious problem. It needs to be recognized, addressed, and resolved. Poverty is found everywhere. Every country has its percentage of low-income earners, but some countries have many more people living in unfortunate circumstances than others do. Poverty is an area of concern as it brings with it a host of problems within the country, as well as on a global scale.

The countries with the biggest poverty problems are the so-called "Third World countries." These countries include the economically under-developed countries of Asia, Africa, and Latin America. The general working population of these countries live on less than $2 a day, while in the United States, the minimum wage is approximately $6 per hour! How can we expect circumstances to be more balanced on a global scale if this is just one of the major differences between the First and the -- Third World?

Some other facts about lesser developed countries include:

- 1,300 million people in this world do not have a satisfactory access to drinking water - as a result, 80% of illnesses are caused by contaminated drinking water.
- In sub-Saharan Africa, 40 percent of primary-age children have no opportunity for schooling. Around the world, there are currently 125 million children who have never, at any time, seen the inside of a classroom.
- 35,000 children die everyday for reasons directly related to poverty such as malnutrition and starvation.
- The distribution of wealth in the world is terribly unjust: 15% of the population own 79% of the world's wealth and 85% of the population own the remaining 21%.

All these factors contribute to the uncomfortable and sub-standard living conditions of a huge portion of the world's population. What is even more disturbing, however, is that poverty seems to be increasing instead of decreasing. In the past 30 years, important economic growth has occurred, but the number of people who live in poverty has increased and the difference between those who live in abundance and those who do not has markedly increased. In 1960 the income of 20% of the richest countries was 30 times more than that of 20% of the poorest countries. In 1990 it was 60 times greater. Today 80% the world population that lives in the five poorest countries of the world receives only 20% of the worlds' earnings. In this way the differences between rich and poor have doubled in the last 30 years. The distribution of wealth is unjust not only among countries, but also within the countries, in both the Northern and Southern Hemispheres. One million of the richest people in the world are 150 times richer than the 1000 millions of the poorest, and the difference too has doubled in the past 30 years. Twenty percent of the poorest population has access to only 0.2% of loans made by commercial banks, to 1.3% of international investment, to 1% of international trade and to 1.7% of international income.[64]

There are various ways in which people in rich countries can get involved in reducing the burden of poverty in third world countries. Perhaps the most important area where they can get involved is to petition governments in rich countries such as U.S.A. to remove subsidies on farm products. This subsidy is the biggest obstacles for poor farmers in the third world countries to get a fair price for what they produce. If the farmers in third world countries were to compete on level playing field, then they would earn a decent living. The subsidies on farm products are heavy burden on the taxpayers of rich countries. Secondly, people should act to make IMF, the World Bank to cancel debts of the poorest countries in the world. Many poor countries spend huge amounts of money to pay off the debt, the money which could have been used to pay to provide food, safe water and to build schools.

A typical third world country has substantial poverty embedded in a clear class structure. Both are reflected in a huge income gap between the highest IO to 20 percent and the lowest 40 percent of households, and in the concentration of landownership, the main source of wealth. Each of these features deserves additional comment.

Income distribution sheds light on both North-South and intra-North, intra-South inequalities. An early example was provided by Gustavo Lagos, who compared income distribution in the United States and Latin America in 1971. Within each there were (and are) striking income inequalities: the top 20 percent of the US population owned nearly 45.5 percent of the wealth and Latin America the same group owned nearly 63 percent. Between the United states and Latin America, income differences were even more striking "the 5 percent group in the highest income bracket in the US receives more in monetary terms than all the groups in Latin America put together; in other words, 10 million privileged inhabitants of the US receive more than the entire Latin American population."[65] Brazil, which is the largest of population in Latin America is a good example for low income comparing with the US.

What is happening in the Americas is happening in many parts of the third world: the rich are getting richer, the poor poorer, and the middle class is backing into poverty.[66]Developmentf@~to trickle down as promised. While world output grew 40 percent from 1985 to 1995 , eighty six countries and about a quarter of the world's population. according to the UNDP, ended poorer than they began.[67] And the trend is continuing : Around 25 million additional people a year join the ranks of the absolute poor, and overall, poverty is increasing at approximately the same rate as population growth, or 1.8 percent a year.[68] Certainly, poverty has been reduced in many countries enough so that "by the end of the century some 3-4 billion of the world's population will have experienced substantial improvements in their standard of living.[69] India is a good example, having reduced the percentage of people in poverty from 50 to 33 during its fifty years of independence. But number of poor has more than doubled in the time, to about 350 million, and that is quite apart from appalling figures on other dimensions of poverty, such as infant mortality and illiteracy.[70] "Even under fairly hopeful assumptions about economic recovery in the rest of the 1990s", reports the World Bank in 1992, "the absolute number of poor in the world at the tum of the century will probably higher than 1985"- i.e., over I.I billion people.[71] It was about 200 million people.

What these figures tell us, as indicative of the structural character of poverty, is that faster growth of economies does not ensure the narrowing of income gaps. India and most of the countries all had respectable growth rates in 1980s and 1990s; yet all except Costa Rica have serious inequalities of income distribution. In fact, in the absence of social and political changes that specifically improve the quality of life for working people, the faster the third world economy grows, the wider the income gap may become. A regional and national example will clarify the point.

Latin America hailed privatization and open markets for having pushed annual economic growth rates from below 1 percent between 1988 and 1990, to an average of 3 percent or better over the next four years. But the harsh reality is the percentage of Latin American families living in poverty – that is, unable to afford even a minimum level of food, housing, and essential services – rose from 35 % in 1980 to 39 % in 1990, with 38 % (192 million people) predicted for 2000."The resumption of economic growth has been bought at a very high social price," a specialist with the Inter-American Development Bank confessed.[72] Chile, the darling of the development set - "the economic star of Latin America, "according to the New York Times, an "emerging market" cotrnrwA:.andpossibly the next member of NAFfA – epitomizes the difference between economic growth and human development.[74] Despite improvement in the percentage of the population mired in poverty, Chile's income distribution is among the worst in the Third world. A once-vibrant network of community services has given way to rampant consumerism by the wealthy and the evisceration of the middle class. The stock market, foreign investment, and exports are doing quite well; but education, social security and health care are now privatized, hurting the working class and the poor generally. All these changes reflect a basic reality: Chile's growth has overwhelmingly benefited the top 10 % of the population at the expense of the rest. Thus the frequent references to "two Chiles."[75]

3.2.2. Globalization Adversely Impact on The Third World

"Globalization" is a very uneven process, with unequal distribution of benefits and losses. This imbalance leads to polarization between the few countries and groups that gain, and the many countries and groups in society that lose out or are marginalized. Globalization, polarization, wealth concentration and marginalization are therefore linked through the same process. In this process, investment resources, growth and modem technology are focused on a few countries (mainly in North America, West Europe, Japan and East Asian NICs). A majority of developing countries are excluded from the process, or are participating in it in marginal ways that are often detrimental to their interests; for example, import liberalization may harm their domestic producers and financial liberalization may cause instability.

The uneven and unequal nature of the present globalization is manifested in the fast growing gap between the world's rich and poor people and between developed and developing countries; and by the large differences among nations in the distribution of gains and losses. The UNDP Human Development Report, 1992 estimated that the 20 per cent of the world's population in the developed countries receive 82.7 per cent of total world income, while the 20 percent of people in the poorest countries receive only 1.4 per cent (UNDP, 1992). In 1989, the average income of the 20 per cent of people living in the richest countries was 60 times higher than that of the 20 per cent living in the poorest countries. This ratio had doubled from 30 times in 1950.[76]

According to the Human Development Report in 1996 showed the developing countries are getting worse in economic reforms and is still continuing in poverst without hope of rapid improvement. Becayse of wider inequalities of income level between the developed and developing countries are closely associated with globalization processes which have been examined in UNCTAD'S trade of Development Report 1977. There are two main factor of increased inequality. Firstly, the increased concentration of national income in the hands of a few has not been accompanied by higher investment and faster growth. "It is this association of increased profits with stagnant investment, rising unemployment and reduced pay that is the real cause for concern". Secondly, some of the factors causing greater inequality in a globalizing world at the same time deter investment and slow down growth. For example: the fast pace of financial liberalization has delinked finance from international trade and investment; higher interest rates due to restrictive monetary policies have raised investment costs and led entrepreneurs to focus, instead, on buying and selling second-hand assets; the premium placed by global finance on liquidity and the speedy entry into and exit from financial markets for quick gains has undermined the "animal spirits" needed for longer-term commitments to investment in new productive assets; while corporate restructuring, labour shedding and wage repression have increased job and income insecurity.[79]

Moreover, there are also several factors for increasing the income gap in recent researches which discussed the effects of globalization and world inequality. First, inequality has risen since the early-mid 1980s. Second, the traditional common factors causing inequality, such as land concentration, urban bias and inequality in education, are not responsible for worsening the situation. Third, the persistence of inequality at high levels makes poverty reduction difficult. Fourth, a high level of inequality can depress the rate of growth and have undesirable political and social impacts. Fifth, developments in Canada and Taiwan show that low inequality can be maintained at a fast growth rate.[80]

Many of researchers argue that the globalization contributes the increasing of income level. For example, Talbot, in view of the unequal exchange in the world system, argues that a new international inequality exists that has been superimposed on the old form of international [illegible]ality, which explains increasing global inequality. Talbot refers to the case of coffee production and trans-national corporations' control over the capital.[81] Bata and Bergesen summarize that the increasing international inequality was one of the most important consequences of the nineteenth century globalization. They further state that research into the cause of increasing inequalities is important; understanding how the world-system works and the consequences of globalization in the twentieth century is necessary in order to change it[82]. Ciccantell and Bunker argue for reorganization of the world-system in support of Japanese developments such as organization and technological innovations in the steel industry.[83] Bornschier noted stable inequality until 1972, but increasing both within- and between-nation inequality until the end of the century.[84] Bergesen and Bata find that within- and between-nation inequality change together over time among core countries, but they are unrelated among non-core countries.[85]

3.2.3. High Unemployment

A Third world country has high unemployment and underemployment in both the rural and urban areas. Rural dwellers constitute the core of the Third World's most destitute. They sit in the middle of what the International Labour Organization calls the worst global employment crisis since the Great Depression. These are people who lose their land to powerful landlords, the onset of rural technology and a money economy, the transformation from growing food exporting it, and drought. Peasants in these circumstances may have a choice to stay on in serfdom or as landless tenants, as in El Salvador and the impoverished northeast of Brazil. Or, as in China, massive migration to urban areas may occur. A combination of greater prosperity for some peasants as well as reduced government support of agriculture has pushed as many as 150 million people off the land and into the major cities in a desperate search for jobs. Mexican peasants, equally desperate, have crowded into the border area, where over 2,000 mostly U.S.-owned assembly plants (maquiladoras)have been set up. These TNCs do provide employment - about a half-million people as of 1992. There already are nearly as many workers involved in the assembly of color televisions in Tijuana as there are in the entire United States. And TNCs have reportedly brought Mexicans into middle management. But they also take advantage of labor (much of it female) that is as cheap as 55 cents an hour, virtually unregulated toxic waste disposal despite promises of a cleanup under NAFfA, and the absence of pressures from Mexico's government to improve the living conditions of its citizens.[86]

In urban centers, technology also dispossesses. Though many TNCs have shifted operations to the Third World precisely in order to take advantage of cheap, unorganized, unskilled labor, the largest of them find automation to be even more cost-effective. Yet, a study of Kenya suggests that the main reason for the preference of capital-intensive over labor-intensive production is political: A Third World government would rather have a large, powerless underclass struggling for its daily bread than have the rich, whose support is essential to regime survival, pay the true costs of its education, health care, and low-priced staples.[87]

Cities of the South are becoming the centers of underdevelopment. A historic shift in population is taking place worldwide from rural to urban areas. In Third World countries, virtually all future population growth from now on will probably take place in cities. Seventeen of the world's twenty-one "mega cities" - cities with populations over 10 million are in the Third World. Thirteen of them are in Asia. "By 2025, Asia's urban population is expected to rise to nearly 2.6 billion people, which will be just over 50 percent of the world's total."[88] These figures translate into extraordinary social and environmental problems for urban authorities, such as in water, sanitation, and health services, as well as compound the demands on rural people and their environments. For as a UN study reminds us, urbanization in the Third World mainly means slums.

Of every 100 new households established in urban areas in developing countries during the second half of the 1980s, 72 were located in shanties and slums (92 out of every 100 in Africa).Today, an estimated 1.2 billion people (almost 23 percent of the world's population) and 60 per cent of developing countries city dwellers live in squatter settlements, often shantytowns made from cardboard, plastic, canvas or what ever other material is freely available. The number of urban households in developing countries without safe water increased from 138 million in 1970 to 215 million by 1988, and those without adequate sanitation rose from 98 million to 340 million.[89]

3.2.4. Children Malnutrition

Children are first victims of malnutrition, early death from preventable diseases, and lack of education are three of the cruelest ways that poverty destroys children. Although marked progress has been made in reducing the gap between North and South in all these areas, children suffer at an alarming rate. For example, a child dies every eighth seconds - 11,000 a day from malnutrition.[90] Another child dies every 2.5 second (over 12 million a year) from illnesses that are easily preventable, such as pneumonia and diarrhea.[91] Most such deaths, of course, occur in the poorest countries of Africa and South Asia. Serious infections, such as vitamin A deficiency that affect about 200 million children worldwide, could easily be treated with vitamin supplements.[92] Children between five and fourteen years of age are employed in great numbers (around 250 million), according to an extensive UN Labor Organization survey even where laws exist against it. Poor parents need their children's income; expenses even for public schooling can be prohibitive; and in a competitive world economy, cheap child labor is in high demand. By one estimate, "at least 15% of all 10-14 year olds in Asia work, which is more than anywhere else in the world except Africa. The number of children kept out of school runs into the tens of millions. In India, which seems to have the most child workers, prostitution and AIDS are rampant; children of poor families often are forced to become sex slaves.[93]

Children have been particularly victimized by the declining trend in economic opportunities described earlier. There is ample cross-country evidence that, in responding to confining conditions, households have not spared children from their work intensification strategies. As a consequence, many are not attending school or drop out to contribute their labour to the household economy. They do this either by performing unpaid work or selling goods or services to supplement family income. Child labour seems to be of crucial importance for subsistence livelihoods in Papua New Guinea, where children at the age of ten years start contributing to the household and village economy. Ugandan households protect their paltry incomes by pulling boys, and especially girls, out of school to help with domestic chores, forcing young girls to marry in exchange for bride price, and sending children and youths to perform casual jobs for food and income. Many children have been forced to look for jobs at an early age in order to support themselves and help their families. As the number of street children has increased over time, they are turning to illegal practices like stealing or to the exchange of sexual favours for money to survive.

The use of child labour is not restricted to poor countries with subsistence economies. Many Bulgarian families are removing their children from school to put them to work. Korean children also contribute an extra household income regularly by working at all kinds of casual and informal jobs In Indonesia, about one out five poor households relied on children's unpaid work a few months after the financial crisis. While child labour has risen throughout the country, it is particularly high among urban boys from low-income families.

Although children's work has been mobilized almost everywhere as a response to declining incomes, it is not clear if it enhances household well being. Yet the consequences for children can be devastating, imperiling their health and curtailing their educational opportunities. The need to use child labour for survival is one of the most important obstacles to education in third world, where attendance rates among young children from families in extreme poverty are a dismal 49 per cent of their school-age cohort. By contrast, data from Korea do not indicate that working children are necessarily being withdrawn from school. Nevertheless, one can presume that children who are asked to work regularly end up by dropping out of school and devoting their time to looking for work.

3.2.S. Basic Needs

By every indicator, people's basic needs are very far from being met, and the consequent waste of human resources is enormous. World Bank statistics show how misleading it is to talk about average improvements (for example) in the Third World health and literacy, particularly since about 60 percent of the world's people live in the poorer countries (such as China). In those countries, according to the UNDP, the average gap in literacy and health between Third world and First world countries has been reduced signific~tly over the past two or three decades. For example, the gap in literacy and health between the third world and first world infant deaths per 1,000 births was cut in half between 1960 and 1990, from 123 to 61 percent; in access to safe water, the gap went from 60 % of the population down to 32 percent between 1975 and 1990; and in adult literacy, the gap dropped to 33 percent in 1990 from 49 in 1970. But the bitter reality is twofold. First, the average First-third world gap has widened over the years in other areas that pertain to literacy and health such as years of schooling, basic education enrollment, and the percentage of the world's scientists, technicians, and communications outlets. Second, when we look at particular countries, with especially but not exclusively low income, we still find disturbing figures. Numbers matter more than gaps. The infant mortality rate, which averages 7 per 1.000 births in high-income countries, averages 69 in low-income countries. It is 113 in Mozambique,169 in Malawi, 68 in India, Pakistan, and 69 in Bolivia. Even among upper-middle-income countries, Brazil's rate is 44, South Africa's is 50, and Gabon's is 89. The percentage of the population in low-income countries with access to safe water is 83 in Bangladesh; but it is only 49 in Tanzania, 43 in Nigeria, 38 in Vietnam, and 27 in Ethiopia. And among upper-middle-income countries, the range includes 87 percent in Mexico but only 64 percent in Argentina, likewise with respect to access to health care and prevalence of malnutrition.[94] Looking this times only at the poorer Third World countries, the percentage of the population with access to health care runs from lows of 24 in Angola and 25 in Ghana, to 59 in Thailand, 67 in Nigeria, and 89 in Jordan. When it comes to treating an epidemic such as AIDS, which is shattering poor countries as more and more pregnant woman become infected with HIV, the absence of health care becomes a global nightmare. As for malnutrition, the percentages am?ng children under age five are 84 Bangladesh, 70 in Nepal, 63 in India, 45 Ecuador, and 39 in Indonesia.[95]

Finally while most of the NICs have school enrollments that are equal to those of the advanced industrialized countries, that is hardly the case for countries in lower-income groups. Moreover, when it comes to literacy rates and education at all levels, important gender differences are the norm. We must also consider that progress in educating young people in the third world tends to be offset by the brain from the third World. People with the rare opportunity to do advanced studies and research will look for more attractive conditions in the developed countries. Those who remain at home constitute a relatively small core of skilled people. For example, scientific talent in the Third World is about 95 out of 10.000 persons - in a range from 157 in Asia to about 10 in Africa - compared with 285 in the industrialized market countries and 308 in Eastern Europe. The difference is even more marked between developing and developed countries(a ratio about 1 to 14) in terms of persons engaged in research and development.

First World governments and TNC' s like to focus on their efforts to rectify these imbalances through development aid. Aside from the flaws in aid programs, we may also note how the developed countries use their commercial power to open up Third World markets at the expense of public health and well being. The export of cigarettes, which are now universally understood to be an addictive dıug, is a multibillion-dollar business for the major tobacco companies, and all the more so as the industry is finally being forced to pay at home for some of the health costs of smoking. In the name of free trade, and with the help of high-profile political figures, the U.S-based tobacco TNC's led by Philip Morris, R.J. Reynolds Tobacco Company, and Brown & Williamson have been able to pry open the door for their products around Asia, where smoking is already one of the leading causes of death. Experts foresee millions of new smokers and additional deaths from smoking as a result of the pressure tactics. The former U.S Surgeon General, put it precisely when he said the U.S government and TNCs were knowingly "exporting death and disease to the Third World."[96]

Breaking the cycle of poverty and social decay is extremely difficult. The case studies of China and South Korea show different routes to largely positive outcomes. A third example, post-revolutionary Nicaragua, has been less successful but is noteworthy because of what was attempted and accomplished under highly adverse circumstances. The victory of the Sandinista movement inl979 overthrew a forty-year-long dictatorship under the Somoza family. Nicaragua then fit perfectly to the Third World profile of class domination of the economy, high indebtedness , widespread poverty, and desperate human needs. But the Sandinistas´ effort to transform these conditions met with armed resistance: a counterrevolution aided by the United States, which sought to overthrow the new government.[97]

Another round of civil war, which lasted until presidential elections in 1990, devastated Nicaragua's economy and society. Nevertheless, the Sandinistas can be credited with some important human-development achievements. They launched a serious of mass mobilization campaigns to implement social democracy. The illiteracy rate was sharply reduced, rural school construction was emphasized, and public health spending was increased to a striking 5 percent of GNP. Land reform was instituted to benefit small producers and end reliance on imported food. By the end of the 1980s, according to UN statistics, Nicaragua, despite a heavy military burden and very little outside aid, had also significantly reduced infant mortality and improved access to safe water and early schooling. As of the mid-1990s, however, Nicaraguans still faced formidable improvements in human development. Rates of infant mortality and malnutrition continued to improve and compared favorably with those of its central American neighbors. But the population was growing at over 3 percent annually, faster than before and the country was saddled with external debt - over 9 dollar billion in 1995, more than four times the debt in 1980 and nearly six times its GNP. Foreign aid accounted for almost half of GNP. With its domestic politics still unstable, Nicaragua's social gains achieved through revolution remained vulnerable to powerful external forces.[98]

3.2.6. High Population

A Third World country has very high population growth caused mainly by its underdevelopment. While rates of population growth have slowed worldwide, in seventy-four of the poorest countries, populations are expected to double over the next thirty years. In thirty-three countries, twenty-five of which are in Africa, the fertility rate is still six children per woman. Why? It has been well established that impoverished families, facing high infant mortality, little and marginal-quality land to work, limited (if any) educational opportunity, traditional restrictions on women, and no health care or old-age security, will seek to have many children, particularly males. The way, they perpetuate the family, have more hands to work the soil, and ensure care of the elderly. Hence, poverty is the main factor in the Third World's population explosion, and not the reverse. The poorest Third World countries have the highest birth rates as well as the highest incidences of infant mortality and malnutrition. And while high population growth certainly exacerbates poverty, it can also be reduced in spite of poverty.

Unless development gives prominence to meeting basic needs, above all female education, even a most affluent Third World country will still have high population growth, centered in its poorest regions. In Brazil, for instance, the population is growing rapidly alongside malnutrition that affects nearly two-thirds of the people. Food production is stagnant; yet Brazil exports soybeans, a major protein source. By the same token, a relatively poor country, such as Cuba, "which has benefited women with improvements in health care and education and has the most equal income distribution in Latin America, has halved its birth rate since the 1959 revolution, a record unmatched" in Latin America. Recent research has even more sharply pinpointed female education as the critical variable in determining fertility rates and population growth. In Cost Rica, where adult literacy is 93 percent for both sexes, women are heavily involved in the work force, and the government has made significant investments in health care and other basic needs; family planning is widespread, and fertility rates have dropped sharply. Pakistani women have quite different prospects: very low social status, very high illiteracy (76 percent),and widespread poverty, especially in rural areas. The result is that the fertility rate is among the highest in Asia despite the availability of family planning services. Demographic studies of regions of India and Kenya come to similar conclusions: "Women's status and education now appear to be far more significant than overall economic growth as a correlate of declining fertility."[99]

These facts provide insight to the relationship between population growth and hunger. Checking the former of Latin America and other developing countries case, as in China's one child per family policy, or simply having low population density, may not prevent the latter. The land is capable of sustaining many more than the current world population, provided it is fairly distributed and wisely used. But in the absence of adequate land, fertilizer, water, credit, education, fair prices to producers, and a government policy of growing food for its own people first, additional hands will go on being created to attempt to bring forth the precious rice or wheat. If conditions of human development and agriculture were shaped with the family farmer in mind, the examples of China, Taiwan, and Cuba show that population growth would begin to slow down and agricultural production would increase dramatically.

Unfortunately, checking population growth sometimes gets caught up in politics. Since the 1980s the U.S. government, influenced by religious fundamentalists, has sharply cut aid for overseas family planning programs. Because U.S aid accounts for nearly half of all international support, the funding cuts may lead to many more births and abortions than Third World women would want. Yet these same programs have also been pushed by the United States and other governments, international agencies, and TNCs whose interests were threatened by land reform. Population control through, for instance, the U.S aid program in Bangladesh, which once promoted sterilization of women with the enticement of gifts of cloth, an exchange more recently being urged upon poor Indian women by the government of Peru is often looked upon as an efficient way to prevent overpopulation from evolving into a revolution of the hungry. And it can be profitable: Health-threatening contraceptive devices such as the Dalkon Shield and Depo-Provera (which are barred from sale in the United States) were once sold by TNC branch plants abroad. These products not only enriched the manufactures; they satisfied the home government's desire to increase exports, and they made money for the importing country's elite, some of whom invested in the company.[100]

As the populations of developing countries continue to increase, their already minimal food supplies continue to decrease. Genetically modifying crops to make them require less work and money to produce and have more robust yields is a potential solution to the food problems in developing countries. It is apparent that when dealing with genetically modified crops in developing countries there are many factors that need to be addressed so maybe someday they can be applied to end the worlds agriculture and food problems.

3.2.7. State Repression and Corporate Exploitation

Indigenous peoples and cultures often bear the burnt of state repression and corporate exploitation: Given that indigenous peoples rarely have political representation, and in fact go to great lengths to avoid the reach of the state, it is hardly any wonder that intrusions into and takeovers of sacred lands, violations of human rights, despoiling of natural environments, and disruption of cultures occur around the third world with little fanfare or outside protest. Governments normally protect states, not tribes, clans, or peoples. Previously, we have noted government repression of Indian groups in Mexico and Guatemala, and TNC investments that trampled on minority rights in west Papua, Ecuador, and Nigeria. Latin America alone has numerous other examples in Brazil, Peru, Colombia, and Ecuador, to name just a few. In all of these instances, only the combination of indigenous peoples organizing and support activities by NGOs prevented annihilation.[101]

Even after the decolonization, most of the developing countries are still dominated by the colonial powers indirectly. Such colonial powers actually withdrew its military forces and gave developing countries freedom and independence. However, these powers "appointed" the elites in order to dominate to them politically, economically, and culturally. As a result, the governments of developing countries established complicated systems like tyranny, feudalism, and scornful of minority.

3.2.8. Immigration

Underdevelopment, war, and environmental degradation lead to the large-scale flight of people and their skills (brain drain). The global refugee count includes the usual large numbers of people fleeing political persecution and war, such as those who escaped from Afghanistan (over 3 million people), Indochina (over 1.5 million), El Salvador (75,00),the Gulf War (2.8 million), and Rwanda (2 million). A UN source estimates there are about 14 million to 16 million political refugees. But there are also around 20 million to 25 million internally displaced people, refugees in their own country. Because the[illegible]not cross a border, they do not fall within the responsibility of any international agency.[102] The largest and fastest growing group in the 35 million or more "economic migrants" from "developing countries have taken up residence the North in the past three decades." Their numbers are expanding at the rate of 1.5 million persons year. The new wave of refugees reflects the realities of the global political economy: 700 million unemployed or underemployed people in the early 1990, and 1 billion by 2000; rising population pressure on land and resources, as in Mexico, Sudan, and in Indonesia's resettlement of 6 million people to outlying island; rapid urbanization, especially in Asia; governments that are strapped for cash; lack of full participation of woman development; environmental calamities brought on by use of unsafe substances and technologies as well as by outright destruction of people's surroundings; and social upheaval such as produced around 2 million refugees in Central Europe in 1990 alone, before the destruction in Bosnia. Migration is thus a function of structural violence; but for skilled professionals who find their way to North America and Western Europe, it is also a perceived opportunity for self-betterment. They are very unlikely to return to their native country - a gain for their adopted land but a costly loss in desperately needed skills for their homeland. This familiar brain drain adds to the already monumental human and social costs of underdevelopment and war.[103]

Less democracy, ignoring of human rights, and poverty, all of them and other systematic problems contributed to the skill and educated people migration from their countries to the North in order to search for a suitable opportunity to improve their life standard.

3.2.9. Third World Debts

To be fully accurate, one should refer to the multiple debt crises that exist in the world today. For our purposes, however, the "debt crisis" will refer the external debt, both private and public, of developing countries, which has been growing enormously since the early 1970s. Our focus should obscure, however, the other debt crises that trouble much of the global economy: the budget deficits of the United States government, its balance trade deficits, and the insolvency of many of its savings and loans institutions. These crises are highly interconnected, particularly as they relate the issues of interest rates, export values, and confidence in the international banking system. The "debt crisis," then, is a global phenomenon, and an attempt to understand it fully needs a global perspective. However, the greatest suffering thus far in the crisis is found within developing countries, and therein lies the justification for our focus. But even within the developing world, our attention can be directed toward a variety of problems depending on how one chooses to think about debt. One can focus on the integrity of the international financial system, in which case one's emphasis is on the countries with the largest debts, such as Mexico or Brazil. Alternatively, a primary concern can be on the desperate human costs of the debt, which would direct attention to sub-Saharan Africa, for example. Yet another perspective, the strategic dimensions of the problem, would concentrate on debtors such as Turkey or South Korea.[104]

We will pay primary attention to what have been termed the most heavily indebted nations within the developing countries. This focus is not neutral, since it generally refers to those nations with the largest debts and whose threat of default represents a serious concern to lending agencies. The bias of the focus, however, should not divert attention from the smaller countries, particularly those in Africa, whose debts are crushingly large to their people, even though the banks and international lending agencies consider them less important or less threatening.

The accelerating magnitude of debt for the most heavily indebted nations is staggering. In 1970, the fifteen heavily indebted nations had an external public debt of $17,923 billion - which amou~ted to 9,8 percent of their GNP. By 1987, these same nations owed $402,171 billion, or 47.5 percent of their GNP. Interest payments owed by these countries went from $2,789 billion in 1970 to $36.251 billion in 1987. Debt service, defined as the sum of actual repayments of principal and actual payments of interest made in foreign currencies, goods, or services on external public and publicly guaranteed debt, accounted for 1,5 percent of their GNP and 12,4 percent of their to exports of goods and services in 1970. In 1987, those figures had risen 4.3 percent and 24.9 percent, respectively.[105] Table 8.1 gives the statistics using the World Bank's 1992 classification of heavily indebted countries.

Table 8.1 / Selected Debt Statistics of the Fifteen Most Severely Indebted Developing Nations

	Total External Debt (Millions Of $US) 1990	Total External Debt (as % of GNP) 1980	Debt Service (as a % of Exports) 1980	1990
Algeria	26,806	47.1	27.1	59.4
Argentina	61,144	E8.4	37.3	[illegible]
Folivia	4,276	93.3	135.0	[illegible]
[illegible]	116,173	31.2	63.1	[illegible]
Fulgaria	10,927	11.1	JE·3	[illegible]
[illegible]	15,118	98.0	10.8	[illegible]
[ote d'Ivoire	17,956	58.8	28.3	[illegible]
Fcuador	12,105	53.8	33.9	[illegible]
Mexico	96,810	30.5	E9.5	[illegible]
Morocco	e3,524	53.3	32.7	[illegible]
Nicaragua	10,497	1112.1	E2.3	[illegible]
[illegible]	21,105	S1.0	[illegible]	[illegible]
[illegible]	49,386	16.3	[illegible]	[illegible]
Syria	116,446	E7.1	111.4	[illegible]
[illegible]enezuela	33,305	E2.1	27.2	[illegible]

Source: World Bank, World Development Report, 1992 (Washington, DC: The World Bank, 1992) Tables 21 and 24, pp. 258-259, 264-265

For the developing world as a whole, in 1991, the total external debt was $1.362 trillion, which was 126.5 percent of its total exports of goods and services in that year, and the ratio of debt servicing to the gross domestic product of the developing world reached 32.4 percent.[106]

Table 8.2 **Third world debt, 1999**

.	Foreign debt		Annual debt service	
Region	Billion$	%GNP	Billion$	% of Exports
Latin America	800	42%	160	36%
Asia	1,000	38	150	15
Africa	300	61	30	17
Total South	2,200	40	340	22

Source: United Nations, World Economic and Social Suvey2001. brown according to Joshua.p.518[107]

Despite stabilization, third world states have not yet solves the debt problem. As shown in Table 8.2, the South owes $2 trillion in foreign debt, and pays about$340 billion a year to service that debt. The debt service(in hard currency) absorbs nearly a third Africans dept.[108]

The Costs of the Debt Crisis

This explosion of debt has had numerous consequences for the developing countries, but this section will focus only three on consequences: the decline in the quality of life within these countries, the political violence associated with that decline, and the effects of the decline on the developed world. The next section of this chapter will explore separately the most publicized cost of the debt crisis, the possibility that it might have instigated a global banking crisis.

The first, and most devastating, effect of the debt crisis was, and continues to be, the significant outflows of capital to finance the debt. According to the World Bank: "Before 1982 the highly indebted countries received about 2 percent of GNP a year in resources from abroad; since then they have transferred roughly 3 percent of GNP a year in the opposite direction."[109]In 1988, the poorer countries of the world sent about $50 billion to the rich countries, and the cumulative total of these transfers since 1984 is nearly $120 billion.[110]The problem became so pervasive that even agencies whose ostensible purposes included aiding the indebted countries were draining capital: in

1987 "the IMF received about $8.6 billion more in loan repayments and interest charges than it lent out."[111] The IMF has since reversed the flow of money in a more appropriate direction, aided principally by the global decline in interest rates, as well as by some success in renegotiating some of the loan agreements.

The decline in average growth, from 6.3 percent a year to 1.7 percent a year, is even worse than it seems. Given the rate of population increase in these countries, a 1.7 percent increase in GDP translates into a net decline in per capita GDP. In other words, the populations of these countries were significantly worse off economically during the period of the debt crisis; and this decline further jeopardizes opportunities for future economic growth given its implications for domestic demand and productive investment. The terms of trade statistics, which reflect the relative movement of export prices to import prices, are similarly grim: developing countries are getting much less in return for their exported products when compared to their costs for imported items. In short, these countries must export even more of their products in order to maintain current levels of imports. The total effects for the quality of life in the highly indebted countries were summarized by the United Nations Conference on Trade and Development.

Per capita consumption in the highly-indebted countries in 1987, as measured by national accounts statistics, was no higher than in the late 1970s; if terms of trade losses are taken into account, there was a decline. Per capita investment has also fallen drastically, by about 40 percent between 1980 and 1987. It declined steeply during 1982-83, but far from recovering subsequently, it has continued to fall.[112]

Jeffrey Sachs portrays the situation in even starker terms:
As for the debtor countries, many have fallen into the deepest economic crisis in their histories. Between 1981 and 1988 real per capita income declined in absolute terms in almost every country in South America. Many countries' living standards have fallen to levels of the 1950s and 1960s. Real wages in Mexico declined by about 50 percent between 1980 and 1988. A decade of development has been wiped out throughout the debtor world.[113]

Sachs is not overstating the case. Before the debt crisis, global poverty had reached staggering proportions, as described above. One can document the extent of poverty in the world by pointing out statistics on gross national product, per capita income, or the number of telephones per thousand in a particular country. But these statistics obscure too much in their sterility. In 1988, one billion people were considered chronically underfed. Millions of babies die every year from complications from diarrhea, a phenomenon that typically causes mild discomfort in the advanced industrialized countries. Millions of people have no access to clean water, cannot read or write their own names, and have no adequate shelter.

This misery will only continue to spread. The debt crisis has a self-reinforcing dynamic. Money that could have been used to build schools or hospitals in developing countries is now going to the advanced industrialized countries. As a consequence, fewer babies will survive their first year; those that do will have fewer opportunities to reach their intellectual potential. To raise foreign exchange, developing countries are forced to sell more of their resources at reduced rates, thereby depleting nonrenewable resources for use by future generations. Capital that could have been used to build factories and provide jobs is now sent abroad; as a result, the problems of unemployment and underemployment will only get worse in poor countries.

A second effect of the decline in living standards in the heavily indebted countries concerns the increased potential for political violence. According to the latest statistics there have been over twenty violent protests in recent years specifically against the austerity measures imposed by the IMF, many of these people killed in those protests."[114] The most recent outburst occurred in Venezuela, where about 300 people were killed. Harold Lever posed the problem well in 1984:

Will it be politically feasible, on a sustained basis, for the governments of the debtor countries to enforce the measures that would be required to achieve even the payment of interest? To say, as some do, that there is no need for the capital to be repaid is no comfort because that would mean paying interest on the debt for all eternity. Can it be seriously expected that hundreds of millions of the world's poorest populations would be content to toil away in order to transfer resources to their rich rentier creditors?[115]

Political violence will only continue in the future, but its implications are hard to predict. Political instab~ may make it more difficult for democratic regimes to survive, particularly in Latin America, and may lead to the establishment of authoritarian regimes. Similarly, popular pressures may lead to regimes radically hostile to market economies, thus setting the stage for dramatic confrontations between debtor countries and the external agencies that set the terms for debt rescheduling or relief. The political violence can spill over into international security issues. One can only imagine what sustained political conflict in Mexico would do to the already troubling issues of drug smuggling and immigration between Mexico and the United States. Debt-related issues complicated political relations between the United States and the Philippines over the military bases, and the extraordinary impoverishment in Peru (a decline in real GNP of between 15 to 25 percent from September 1988 to September 1989) has certainly led to an 31 increase in the drug-related activities of the Shining Path.[116]

Debtor governments will find themselves forced to demand certain concessions on debt repayment in order to maintain their legitimacy, and these concessions will invariably be cast at least in terms of lower and more extended payments, if not reduction or outright debt forgiveness. If the debt crisis is not resolved in terms that address the inevitable political consequences of declining living standards, then the prognosis for recovery is dim, even if debtor governments, banks, and the international lending agencies agree upon acceptable financial terms. The political dynamics of the debt crisis must be considered an integral part of the solution: to ignore the violence and protest as less important than the renegotiated interest rates will produce agreements that have little hope of success.

The cost of the debt crisis has been one experienced by the developed countries themselves, in particular by the United States. Increasing poverty in the developing countries leads to a reduction of economic growth in the developed countries. The debtor countries have been forced to undergo a dramatic decline in imports in order to increase the foreign exchange earnings needed to pay back their debts. The decline in the average annual growth rate for imports of the seventeen most heavily indebted countries is dramatic: the average annual growth rate for these countries in 1965-80 was 6.3 percent; in 1980-87, that figure had fallen to minus 6 percent, for a total shift of minus 12.3 percent.[117] One estimate is that the seventeen most heavily indebted nations decreased their imports from the developed world by $72 billion from 1981 to 1986.[118]

The United States has been profoundly affected by this decline in imports because most of its exports to the developing world have, historically, gone to the Latin American states most seriously affected by the debt crisis. The United Nations Conference on Trade and Development suggests that this decline in U.S. exports is a more important explanation for U.S. trade difficulties than for the deficits of other countries:

> Because of this import compression by the highly-indebted developing countries, United States exports to them actually declined by about $10 billion between 1980 and 1986. As a result, the United States recorded a negative swing in its trade balance of about $12 billion between 1980 and 1986; the corresponding negative swings for the other developed market economy countries were much smaller: about $3 billion for Japan, $2.4 billion for the Federal Republic of Germany and $1.6 billion for the other EEC countries.[119]

These declines seriously aggravated an already bad trade situation for the United States. The absolute declines were quite large; and if one extrapolates losses from an expected increase for export growth based on recent history, the declines are quite significant. Richard Feinberg translated the export loss to the United States in terms of lost jobs when he testified before the Senate: "... roughly 930,000 jobs would have been created if the growth trend [of U.S. exports to the Third World] of the 1970s had continued after 1980. In sum, nearly 1.6 million U.S. jobs have been lost due to recession in the Third World."[120]

This final point deserves more sustained attention than it has yet received: it is also in the interests of the advanced industrial nations to seek an equitable solution to the debt crisis. No one's long-term interests are served by the increasing impoverishment of millions of people. The financial health and stability of the richer countries depends crucially on debt-resolution terms that allow and foster the economic growth and development of the poorer countries.

Chapter 4

Developing Countries and the Emerging World Order

This chapter reflects on the relevance and role of the third world in the emerging new world order. More specifically, it examines the extent to which the end of the cold war affects the insecurity and vulnerability of the third world countries and the state of the north-south divide as it relates to the prospects for global cooperation and order-maintenance in the post-cold era.

During the cold war, two fundamental and common factors shaped the third worlds predicament and role within the international system. The first one was the proxy war between the superpowers inside the Third World countries such as internal violence, boundaries conflicts, and ethnic conflict. As a result of these dramatic conflicts, the majority of the death numbers were in the Third World countries. Thus. All these conflicts created the sources of insecurity, violence, and disorder with the established international systes.121 The second factor the security predicament. The Third World category during the cold war period was made distinctive by its political posture. This posture incorporated not only a quest for enhanced status, but also for economic justice in the face of a shared condition of acute poverty, underdevelopment, and dependence. All of them were a result of colonial policy of the developed countries towards the developing countries. On the other hand, the emerging of the new world order in 1990s particularly after the collapse of the Soviet bloc, the Third World countries reshaped its domestic and foreign policy according to the new stage. They started to establish a new and useful institutions in order to establish a new order rather than old one. New institution's roles that will express the people of the Third World countries in order to face a new dawn of life.

4.1. Third World in Security: A "Decompression Effect"

As statistical evidence suggests, the cold war was hardly a period of stability in the third world. But some commentators have predicted that the post cold war era might prove even more destabilizing for the third world, with the emergence and or re-emergence of conflicts t,lınj,aidby superpower rivalry.

Several potential and actual implications of the end of the cold war justify such concerns. First, superpower retrenchment has led to shift in the balance of power in many third world regions, which in turn has created opportunities for locally dominant actors to step in to the vacuum with managerial ambitions that could fuel regional conflict. Second, many third world countries, which had survived domestic challenges to their legitimacy with the help of superpower patronage, have now either collapsed or are faced with such a prospect - they have became so-called failed states. Finally, the end of the cold war also raises the prospects for greater inner-state conflict. While the vast majority of third world conflicts in the cold war period were inter-state, some observers now foresee the prospects for a rise in inter-state territorial conflicts.[122] Particularly to Africa, whose established regional norms against violation of the post-colonial territorial status que seem to be under considerable stress (especially with the separation of Eritrea from Ethiopia)

Nonetheless, the consequences of the cold war for the third world stability have not been entirely negative. The spread of democracy in the third world might also eventually create better prospects for regional stability. Whether democracies tend not to fight each other may be debatable proposition in the west, but in the third world, there has always been a strong correlation between authoritarian rule and regional conflict.[123] Thus, by leading to the removal of the non-performing and repressive rulers and their replacement by regimes enjoying greater political legitimacy, the end of the cold war might create improved conditions for domestic political stability and regional security, although the transition to democracy could be destabilizing in the short term.

There are two ways in which the end of the cold war has improved security outlook of the third world. First, with the end of the US-USSR rivalry, the north is becoming more selective in its engagement in the third world. With the collapse of the Soviet Union, the only power capable of global power projection, the United States, is likely to limit its areas of engagement to a few areas such as the Middle East, Asia and Central America.[124] While this means many third world regions face the prospect of "marginalization", where bloody conflicts might go unnoticed by the great powers and left to managerita~gnby local powers and regional security arrangements, it would also prevent the internationalization of local wars and localization of systemic tensions that was a marked feature of the cold war period. During the cold war, the maintenance of the stability of the central strategic balance rendered many the third world conflicts necessary, as the superpowers viewed these 'as a way off letting off steam which helps to cool temperature around the core issues which are directly relevant and considered vital to the central balance and, therefore, to the international system'.[125] The end of superpower rivalry extricates the third world from this unhappy predicament.

Secondly, with the end of the cold war, regional powers can no longer count on foreign patrons to support them reflexively, supply them with arms, or salvage for them an honourable peace. Without massive superpower backing, even the most powerful among third world states may find it more difficult to sustain military adventures,[126] and may be deterred from seeking to fulfill their external ambitions through military means. The Iraqi experience during the Gulf war is illustrative of the predicament of regional powers deprived of an opportunity to exploit the superpower rivalry.[127]

Those who argue that the end of the cold war would be destabilizing for the third world ignore the fact that the cold war itself was hardly a period of tranquility or order in the third world, as evident from bloody and prolonged regional conflicts from Africa, Middle East, South-West Asia, and Latin America. Moreover, many of the current or potential inter-state conflict situations, as in Southern Asia and the Korean peninsula, were conceived during the cold war and cannot be used as examples of post-cold war instability. While it is tempting to view the Iraqi invasion of Kuwait, thus far the major conflict of the post-cold war period, as an act of Iraqi opportunism in the face of declining superpower involvement in the region, the seeds of this conflict were planted during the cold war period, when Iraq received military hardware and economic support from Western nations even while its main arms supplier continued to be the Soviet Union.

It also needs to be emphasized that the end of the bipolarity does not by itself alter the fundamental sources of the third world insecurity. As Halliday puts it, "since the causes of the third world upheaval were to a considerable extent independence of SU-

US rivalry they will continue irrespective of relations between Washington and Moscow."[128]The causes of the third world conflict continue to lie in weak state-society cohesion, problems of national integration, economic underdevelopment, and the lack of legitimacy of regimes. As in the past, these factors are likely to ensure that domestic conflicts along with their regional ramifications, rather than inter-state territorial conflicts, will remain sources of third world instability in the post-cold war period.

To be sure, the end of the cold war does not have a single or uniform effect on third world instability. In some parts of the third world, such as in sub-Saharan Africa, the end of the cold war has been accompanied by greater domestic disorder. While in Southeast Asia it has seen increased domestic tranquility and regional order. In the Middle East, the demise of superpower rivalry has enhanced prospects for greater inter-state cooperation, especially in the Arab-Israeli sector. In Africa, the end of the cold war has contributed to a sharp decline in arms imports, while in East Asia, it has created fears of a major arms race. Furthermore, the impact of the end of the cold war varies according to the type of conflict. Increased domestic strife in Africa contrasts sharply with the settlement of its long-standing regional conflicts, while in South Asia the end of the cold war has led to greater internal stability while increasing inter-state tensions. Regional hegemonism is a distinct possibility in East Asia with Chinas massive economic growth and military build-up, but elsewhere, it is the regional powers, India, Vietnam, and Iraq included, which have felt the squeeze by being denied privileged access to arms and aid from their superpower patrons.

4.2. The North-South Divide in the New World Order

after the cold war there stated a new ear which is called the new world order. According to the former US president George Bush, this period can be a period of cooperation, an era in which the nations of the world can prosper and live in harmony.[129] But the division between the North and the South is not disappearing and there are four area of North-South tension in emerging new world order. The first is related to global environmental change. Environmental degradation affects the well-being of both the North and South. The global environmental issue has become a focal point for the North South policy divide in the post cold war ear. The basis of this divide has four aspects as identified by Maree Williams. (1) that the industrialized countries bear the primary responsibility for the global environment crisis; (2) that these countries should bear the major costs of environmental protection; (3) that the industrialized countries should ensure free transfer of technology to the South so that the tatter can reduce its independence on technologies damaging to the environment; (4) that the industrialized countries should transfer additional resources to fund efforts by developing countries to ensure greater environmental protection. [130]

The second issue of North-South conflict in the post-cold war era concerns the emerging frameworks for peace and security championed by the West. According to George H. Bush's vision of a new world order there is going to be a return to be a return to multilateralism and the revival of the UN collective security framework. This failed in the first test when the US led a military response against Iraq after its invasion of Kuwait. This response exceeded the mandate of UN resolutions. The southern apprehension that was a unipolar movement by the Us and the other Western powers, would use the pretext of multilateralism to pursue essentially unilateral objectives.

The experience of the US intervention in Iraq suggests that not even the most heavily armed third world power can offer effective resistance to the superior interventionist technology of western power.[131] According to Hedly Boll, there is a remarkable growth in the third world countries of the will capacity to resist intervention and there is an emergence of global equili?rium of power unfavorable to intervention. These are two major constraints in Western intervention in the Third World.[132]

The third is the North-South tension concerns the Northern approach to arms control and non-proliferation. Some of the key regional powers of the South, particularly India, object to the anti-proliferation measures developed by the North, such as the Nuclear Non-proliferation Treaty (NPT) or the Missiles Technology Control Regime (MTCR), the North's anti-proliferation campaign 'frankly discriminates between friendly and unfriendly states, focusing on signatories(and potential cheats) like Iran but ignoring actual proliferation like Israel'. [133]

There is no interest in restricting the flow of conventional weapons to the South. On the contrary, the post-cold war era has seen unprecedented competition among the major Northern manufacturers to supply conventional arms to the more affluent segments of the South.

A fourth area of North-South tension is related to the West's advocacy of human rights and democracy as the basis for a new global political order. The west is trying to promote democracy and human rights in different ways. These ways include aid conditionality, support for self-determination of persecuted minorities, and, as in the case of Haiti, direct military intervention. All these instruments affect the political and economic interests of third world states, many of which see these as a threat to their sovereignty and economic well-being.[139] The developing countries in general have stressed that economic rights, especially the right to development, be given precedence over purely political ones in the global human rights agenda.[140]

4.3. Insecurity, Inequality, and Institutions

Any discussion of the South's role in the emerging world order must examine the role of institutions through which it could articulate its demands and monopolize resources and response. During the cold war, the major third world platform, the Non-Aligned Movement (NAM), spearheaded the South's conscious and collective challenges to the dominant international order. To this end, NAM pursued a broad agenda that included demands for a speedy completion of the decolonization process, superpower non-interference in the third world, global disarmament, and strengthening of global and regional mechanisms for conflict resolution.[141] NAMs record in realizing these objectives has attracted much criticism, but its achievements cannot be dismissed. Despite the diversity within its membership. NAM was able to provide a collective psychological framework for third world states to strengthen their independence and to play an active role in international affairs.[142] Membership in NAM provided many third world states with some room to maneuver in their relationship with the superpowers to resist pressures for alliances and alignment. NAM led the global condemnation of apartheid and pursued the liberation of Rhodesia and Namibia with considerable energy and dedication. While NAM had no influence over the superpower arms control process, it did succeed in raising the level of ethical concern against the doctrine of nuclear deterrence. Through the UN disarmament conferences which it helped to initiate, NAM members highlighted the pernicious effects of the arms race and articulated the linkage between disarmament and development.[143]

Yet, NAM's efforts to reshape the prevailing international order were seriously constrained. Permissiveness towards diversity within NAM with respect to the external security guarantees, only states which were members of a multilateral military alliances concluded in the context of Great Power conflicts were ineligible to join NAM; close bilateral relationships between superpowers were not an impediment-undermined the groups unity. It also made NAM susceptible to intra-mural tensions, as demonstrated over Cuba's unsuccessful efforts during the 1979 Havana summit to gain recognition for the SU as NAM's natural ally. NAM's credibility suffered further from its poor record in international conflict resolution. While focusing on the larger issues of global disarmament and superpower rivalry, it was unable to develop institutions and mechanisms for addressing local and regional conflicts such as those in the Gulf, Lebanon, Cambodia ... etc, according to one observer,

During the last three decades, many non-aligned countries were involved in some kind of conflict, directly or indirectly, either with a fellow non-aligned country, or with great powers, or with some aligned countries. It not difficult to comprehend the inability of NAM to prevent conflict within the group initially, and later, to resolve it quickly if the conflict had surfaced for one reason or the other.[144]

With the end of the cold war; NAM faced distinct risks of further marginalization in inevitable questions regarding the movements continued relevance. Despite a growing membership, the NAMs post cold war direction remains unclear. Some members, such as India (perhaps reflecting its desire for a permanent seat in the UN security council), see the central role of NAM as being to push for democratization of the UN.[145]

NAM emerged primarily as a political institution, its agenda was broadened to the economic arena in tfl\ t960s and 1970s. its started as a reaction to the international bipolarity but then it has become a reaction to the international inequality. The NAM'S summit in 1973 created the concept of NIEO which demands the creation a new structure to regulate world trade in primary commodities, improved conditions for the transfer of Northern technology to the South, better market access for the export of Southern manufactured goods to the North, negotiation codes of conduct for multinational corporations, reform of the international monetary system to ensure greater flow of financial resources, and the resolution of the debt problem and promotion of collective self-reliance through South-South cooperation in trade, finance, and infrastructure.[146]

The major demand of the new which is the North-South negotiations failed for the following reasons. The first reason Reagan believe that the North-South negotiation is a threat to American global influence. The second, The handing of the dept crisis provided further evidence of this' divide and rule' strategy pursued by the North, as the letter conducted debt-restructuring negotiations on a country-by-country basis by offering incentives to those who accepted bilateral deals.[150] Despite constant urging by the third world leaders for greater South-South cooperation on the debt crisis, the South was unable to develop institutional platforms to enter into collective negotiations with the North on the issue.[147]

Regional institutions fare better in addressing the security as well as economic and environmental concerns of the South in the post-cold war period the third worlds interest in regionalism is not new. In the post-second world war period, several regional organizations emerged in the third world with the objectives of pursuing conflict-resolution and economic integration. As with security, during the cold war, the South's experiment with regional economic integration bore limited results. Regional economic integration in the South was marked by distrust, non cooperation and parochial nationalism.[148]

Because of regional insecurity in the South their had been a new appeal as response to the limitations of the UN's peace and security role. Some Southern policy-makers see regional organizations as a way of ensuring the democratization and decentralization of the global peace and security framework.[149] As recent experience has shown, third worla—onal arrangements could perform a range of peace and security functions. The role of ASEAN in the Cambodian conflict. However, The effectiveness of third world regional security arrangements is subject to distinct limitations. The first major conflict of the post-cold war period saw the virtual collapse of the Arab League and dealt a severe blow to the Gulf Cooperation Council. In general, third world regional organization continue to lack the resources and organizational capacity to conduct major peace and security operations and are dependent on external support. Moreover, the role of a regionally dominant actor is problematic for regional peace and security operations. Some regionally dominant powers, such as India (in the case of the SAARC) and China (in the case of the ARF), have been unsupportive of regional security arrangements for fear that multilateral norms might offset their relative power and influence over lesser regional actors.[150]

Finally, regional security arrangements in areas that are deemed to engage the vital interests of the great powers have limited autonomy in managing local conflicts. In these areas, the dependence of local states on external security guarantees, hence frequent great power intervention in local conflicts, will continue to thwart prospects for regional solutions to regional problems. In Gulf, for example, Kuwaiti security agreements with the US came into conflict with regional security arrangements involving the GCC after Iraqi defeat. Similarly, most developing nations of East Asia prefer bilateral arrangements with the US as a more realistic security option than indigenous multilateral approaches.[151]

The third world countries see regional cooperation as a necessary means for responding to pressures from a changing world economy. During the cold war, the economic role of Southern regional organizations focused primarily on regional trade liberalization.[152] The 1990s are also witnessed a revival of Southern interest in regional trade liberalization. Recent examples include ASEAN's decision in 1992 to create a regional free trade area, the OAU's signing of an African Economic Community Treaty in 1991; and the emergence of two new trade groupings in South America (the MERCOSUR group including Argentina, Brazil, Paraguay, and Uruguay, created in 1991; the group of three including Mexico, Venezuela, and Colombia, established in 1994, and the Arab free trade area zone launched in 1998.[153] The South's renewed interest in economic regionalism stemmed partly from doubts about the future of GN.tJ as well as fears about emergence protectionist regional trading blocs in Europe and North. But old problems associated with regional integration in the South remain, especially the difficulty of ensuring an equitable distribution of benefits. In general, regional economic integration among the developing countries will remain hostage to political and security concerns of participating countries and their prior interest in fuller integration with global economy through inter-regional trade and investment linkages.154

The weaknesses of intra-South regional trade arrangements might be offset by the emergence of a North-South variety. Regional trading group, like East Asian prouping will expand market will expand market opportunities for the participating developing countries and alleviate their fear of protectionism in global markets. But they also pose a new set of dangers, such as the transfer of polluting industries to the developing countries and the dumping of unsafe and inferior Northern products in Southern markets. While developing countries in Asia and Latin America can enjoy the benefits of closer integration with their developed neighbors, those excluded from such blocs will risk further marginalization in an increasingly regionalized global economy.165

The demise of the soviet union, and the second gulf was events in 1991 have been created a revolutionary charges in the international system. The world has witnessed that the power system charged from bipolar to unipolar. As a result, the united states has become the only super power un the world and there is no any power can challenge the American ambition on this side. On the other side, the American administration has wanted to lead the whole world in political, economic, and cultural according to American way. Moreover, the American leadership also called to the world to adopt the American values such as democracy, human rights, liberty, and capitalism system. All of these values must based on peace and security.

We can evaluate the new world order as a new indirect colonial policy created by the new colonial power. The old time was created by the European super powers, but this time it is the United States which considers itself as the only inheritance of European colonial power values. The new world order then, is based on dependency and replacing the cultural values of the third world nations to the new culture which belongs to the westerl values. In addition, the new world order, requires to the third world countries to alter their policies like changes in the education curriculums and dominate it according to western educational systems. Another negative image the of new world order is the declaration the war against terrorism, in which the Arab and Muslim nations were accused of supporting terrorism. Also, the raw materials of the Third World countries must continue to flow to the developed countries safe and cheap. Countries acting against this new world order are threatened to be punished either by imposing embargoes or by direct military action.

Chapter 5

Suggestions to Narrow The Gap

As we discussed the third world problems in the forth chapter such as, poverty, high population, immigration... etc and how it effects on the third world economically, politically, and socially. For this reason many scholars put some proposals to help the third world to solve those problems such as, developing aid, solve debts of the third world, immigration solutions... etc.

Suggestions to Narrow the Gap

5.1. The Need for South-South Policy Coordination Among Developing Countries

In order to widen their policy options in the future and to strengthen their bargaining power, developing countries have to organize themselves to strive for a more democratic global system. Countries of the South, at many different forums, have collectively reaffirmed their view that the social and economic role of the UN and its agencies is even more necessary in view of globalization. While they may have spoken up, they have to do even more to assert their belief in the UN's role and to intensify the fight to reverse its decline. They should also strengthen South- South cooperation, with the support of UN agencies such as the UNCTAD and UNDP as well as through their own mechanisms and organizations. This cooperation should include an increase in trade, investment and communications links at the bilateral level and between regions, as well as joint projects involving several South countries. Equally, or even more urgently required is South-South cooperation in the area of policy coordination in reaching common positions. This is especially because policies that used to be taken at the national level as the prerogative of national governments are increasingly being made at forums, institutions and negotiations at both the international and regional levels. Without a more effective collective voice at such international forums, Southern countries will find even more that their national policies on economic, social and cultural matters being made and dominated over by the more powerful Northern governments and the institutions they control.[155]

At present, there are few institutions of the South and their capacity is weak. Like-minded countries of the South should consider initiatives to start or strengthen centers of research and coordination, including those that are independent or private, that can help them in their preparations for negotiations as well as strategic thinking and long-term planning. Greater collaboration among regional institutions of the South (for example, ASEAN, SAARC, SADC, Mercusor, Caricom, etc.), especially in sharing of information and coordination of policies and positions, would be beneficial. Among the objectives of South-South policy coordination could be efforts to strengthen the UN system and to democratize international institutions and relations, which are covered below.

5.2. The Need for Appropriate and Democratic Global Governance

In order for developing countries to avoid bleak prospects in the 21st century, they must be given the space and opportunity to strengthen their economies and to develop their social infrastructure, while having environmentally sound practices. For this to happen, there has to be a much more favourable international environment, starting with the democratization of international relations and institutions, so that the South can have an active role in decision-making. The developing countries should have more rights of participation in decision-making processes in the IMF, World Bank and WTO, which should also be made more accountable to the public and to the local and poor communities. These institutions have been under the control of the governments of developed countries due to the systems of decision-making and governance. There has long been a perception that as a result of such dominance, the three institutions have tended to have policies or rules that are biased towards the interests of the developed countries, while developing countries have either benefited less or have also suffered from the wrong policies and biased rules. There is thus a need to reform the decision-making processes so as to give developing countries their right to adequate participation; and to review and where needed to change the content of policies and rules. so that they reflect the interests of developing countries that form the majority of the membership.[156]

As it is the most universal and democratic international forum, the United Nations and its agencies should be given the opportunity and resources to maintain their identity, have their approach and development focus reaffirmed, and strengthen their programmes and activities. The strong trend of removing the resources and authority of the UN in global economic and social issues, in favour of the Bretton Woods institutions and the WTO, should be reversed.

In particular, those Northern countries that have downgraded their commitment to the UN should reverse this attitude and, instead, affirm its indispensable and valuable role in advocating the social and developmental dimension in the process of rapid global change. The world, and especially the developing countries, require that this dimension be kept alive and indeed strengthened greatly, otherwise there is a danger that a monolithic laissez-faire approach to globalization and to development will cause immense harm.

Only a great strengthening of the UN will allow it to play its compensatory role more significantly and effectively. But of course a complementary "safety net" function is the minimum that should be set for the UN. For the South as well as the international community to make progress towards redressing the basic inequities in the international system, the UN must be able to make the leap: from merely offsetting the social fallout of unequal structures and liberalization, to fighting against the basic causes of poverty, inequities, social tensions and unsustainable development. The more this is done, the more options ~d chances are there for developing countries in future.[157]

It is vital that the UN continues to promote developing countries' rights and interests, an equitable world order and the realization of human and development rights as its central economic and social goals. There is a danger that some UN agencies (and the Secretariat itself) may be influenced by conservative political forces to join in the laissez-faire approach or merely be content to play a second-fiddle role of taking care of the adverse social effects of laissez-faire policies promoted by other agencies. The UN should therefore keep true to its mission of promoting appropriate development and justice for the world's people, and to always advocate for policies and programmes that promote this mission, otherwise it too would lose its credibility.[158]

5.3. The Search for Appropriate Development Strategies

The review of structural adjustment policies, and of the liberal "free-market" model in general, shows that a reconceptualization of development strategies is required, and that alternative approaches are needed. An important issue is whether developing countries will be allowed to learn lessons from and adopt key aspects of these alternative approaches. For this to happen, the policy conditions imposed through structural adjustment have to be loosened, and some of the multilateral disciplines on developing countries through the WTO Agreements have to be reexamined.

In the search for alternative options for developing countries, work also has to be increased on developing economic and development approaches that are based on the principles of sustainable development. The integration of environment with economics, and in a socially equitable manner, is perhaps the most important challenge for developing countries and for the world as a whole in the next few decades. However, international discussions on the environment can only reach a satisfactory conclusion if they are conducted within an agreed equitable framework. The North, with its indisputable power, should not make the environmental issue a new instrument of domination over the South. It should be accepted by all that the North should carry the bulk of the burden and responsibility for adjustment towards more ecological forms of production. This is because most of the present global environmental problems are due mainly to the North, which also possesses the financial resources and the economic capacity to reduce their output and consumption levels.[159]

In the 21st century, much more focus has to be placed on changing economic policies and behaviour in order that the patterns of consumption and production can be changed to become environmentally sound. What needs to be discussed is not only the development model of the South but even much more the economic model of the North, and of course the international economic order. There is also a need to strive for governance at a national level that combines economic development, environmental concerns and social justice. In both North and South, the wide disparities in wealth and income within countries have to be narrowed. In a situation of improved equity, it would be more possible to plan and implement strategies of economic adjustment to ecological and social goals.

5.4. How to Cope with Debt Crisis

One fact is undeniable: Someone is going to have to pay for past debts. It could be the people in debtor countries, or the banks, or the people in advanced industrial countries. Most likely it will be some combination of these three groups. In the last ten years, there have been a variety of proposals which, unfortunately, usually reflect only the special interests of the groups proposing them. Generally speaking, these solutions fall into three categories: repudiation, minor adjustments in repayments, or reduction.

Debt repudiation, in the sense of a unilateral cessation of repayment, occurred in a number of countries: Bolivia, Brazil, Costa Rica, Dominican Republic, Ecuador, Honduras, Nicaragua, Panama, and Peru.[160] With the exception of the Peruvian cessation, however, most of these actions have been taken with assurances that the stoppages were only temporary. Peru announced that it was unilaterally limiting its debt repayments to a percentage of its export earnings; and since Peru took this action, other nations have indicated that they will act similarly. There have been no serious proposals for a widespread and coordinated repudiation of global debt.

The economist Jeffrey Sachs offers several reasons for this absence of a general repudiation. First, debt repudiation is a dramatic and abrupt act. Most nations would prefer to defer such decisions as long as there are advantages to muddling through, and growth prospects are sufficiently ambiguous to make this muddling a viable course. Second, debtor countries fear retaliation from commercial banks. If the banks were to cut off nondebt related activities, such as trade credits, the situation could be made even worse. Third, the debtor countries fear retaliation from creditor governments and multila!~ral lending agencies. Grants from development banks could be affected, and trade relations would probably be seriously disrupted. Finally, the leaders of most of the debtor countries have interests in maintaining good relations with the richer countries, and repudiation would jeopardize these interests.[170]

Repudiation would also seriously disrupt global economic relations, probably far beyond the immediate losses of the debts themselves. Retaliations would follow, because it would be politically impossible for lenders not to react, and because there would be a conscious effort to warn other potential defaulters against similar action. The escalation of economic warfare would have the effect of sharply reducing international economic interactions in trade, investment, and exchange. Such an outcome is in no one's interest.

The vast bulk of activity since 1982 has involved adjusting the timing and method of repayment. The number of specific proposals is bewildering.[171] One can read about debt-equity swaps, in which businesses or properties in the debtor country are purchased at a discount by the banks as partial repayment; debt-for-debt swaps, where bonds are offered as discounted repayments; exit bonds, which are long-term bonds tendered essentially as take-it-or-leave-it offers to creditors who have no interest in investing any further and wish to cut their losses; or cash buy-backs, where the debtor country simply buys back its loan at a deep discount. Some of these proposals, notably the debt-for-nature swaps, where the debtor country promises to protect the environment in return for purchases of the debt by outside groups, are creative and could have important effects.[172]

This array of proposals is referred to as a "menu" approach to debt repayment, and its logic is superficially sound. It was the logic of the plan offered by Secretary of the Treasury James Baker in 1985. By providing a number of different options, repayments can be tailored to the specific circumstances of a country, thereby easing the burden. Critical to the success of the menu approach is the assumption that countries will "grow out of" their debt. Yet, the evidence suggests that this assumption is not entirely sound. This approach further assumes the repayment of debts on terms that are essentially dictated by the creditors. No lender is obligated to accept any one of these possibilities. Moreover, the opportunities for swaps and buy backs are limited: there [illegible] after all, a relatively small number of investment opportunities in poorer countries, and the debt crisis itself has further limited those possibilities. Finally, some of these swaps can actually increase the drain on the capital of a country, particularly if profit remittances on successful investments turn out to be very high. The final proposals have to do with debt reduction, and these only became a real possibility in the spring of 1989 with the announcement of a new plan, dubbed the Brady Plan, after U.S. Secretary of the Treasury Nicholas Brady. The plan originally called for a total reduction of about 20 percent of global debt, with the IMF and the World Bank offering guarantees for the repayment of the other 80 percent of the debt.[173] Since 1989, Argentina, Brazil, Costa Rica, Mexico, Morocco, the Philippines, and Venezuela have reached agreements concerning their debts under the auspices of the Brady proposal. This approach recognizes that many of the menu approaches were, in fact, schemes for debt reduction on a case-by-case basis. This formal recognition of the need for systematic debt reduction is a hopeful sign, but the plan clearly does not go far enough. In market terms, developing-country debt is already selling on the secondary market at about thirty-five cents to the dollar. In other words, debt reduction has already occurred in the marketplace, and any plan that incorporates reductions must take this into account.[174]

There are some serious problems with debt reduction. Debt reduction could reduce the incentive for debtor nations to make economic changes that could lead to greater efficiency. Or, it could set a precedent that would have the effect of reducing, or even eliminating, the possibility for any future bank lending for economic development projects. Finally, debt reduction could have the effect of saddling public lending agencies, like the World Bank, with enormous burdens, thereby vitiating their future effectiveness.

These concerns are genuine. Counterposed to these possibilities, however, is the stark reality of hundreds of millions of people living in desperate conditions with no hope of relief in the near- or medium-term future. Any plan for easing the debt burden, therefore, must try to incorporate a number of legitimate, but competing, concerns of varying importance. First, the repayment of the debt itself has ceased to be the central concern. Private banks obviously have an interest in the repayment of the debt and, to the extent possible, these interests must be accommodated. But the security of the international banking system is no longer at risk, and that, as a legitimate public concern, can no longer dictate possible necessary actions. The central concerns now are the reestablishment of economic growth in the heavily indebted countries, the effective and meaningful distribution of that growth into all sectors of their societies, and their reintegration into the international economic system. Only after sustained economic growth returns to the heavily indebted countries can the international community even begin to determine manageable rates and methods of debt repayment[175]

Second, the International Monetary Fund must fundamentally reassess its policies. Programs of structural adjustment may be appropriate for the original purpose of the IMF-to assist nations having temporary difficulties in maintaining currency values because of transient balance-of-payments difficulties. But these programs are profoundly counterproductive in current circumstances and, indeed, are guided by a wildly inappropriate perspective. The inflows of capital to the IMF from the heavily indebted countries were more than a gross embarrassment; they were conclusive evidence of the IMF's misunderstanding of the causes of the debt crisis. The IMF should shift its perspective to more creative or appropriate ways of stabilizing or depressing interest rates rather than raising them, or ways to prevent capital flight from developing countries, or any number of issues that concern the specific conditions of economic growth. The mechanical application of a "model" of economic growth is wrongheaded." [176]

Third, the resolution of the debt crisis depends upon a clear recognition that much of the debt, as formally constituted, will not, because it cannot, be repaid. Some countries, such as those in sub-Saharan Africa, ought not to repay their debts. Other countries, particularly the heavily indebted ones, can pay something on their debts, and perhaps the appropriate percentage is about half. Viewed in this light, the real question becomes one of allocating the costs of this nonpayment of debts. The current emphasis of forcing the poor to pay with broken lives and broken spirits is demeaning to both rich and poor, and ill-serves the long-term interests of rich as well as poor.[177]

There are genuine issues of responsibility that deserve to be made explicit. The debt "crisis" is only a symptom of an international economic system that tolerates growing and abysmal poverty as: i\Qrroal condition. This need not, and should not, be the case. The developed countries have a responsibility to create conditions whereby the poorer countries can interact more productively in international economic activities: their single most important contribution to this end might be in the area of reducing trade restrictions on the products of poorer countries. Similarly, the developing countries have a responsibility to see that money is more effectively utilized within their own borders. The obscene personal profits accumulated by such leaders as Marcos of the Philippines and Mobutu of Zaire should not be fostered by the strategic interests of other countries. The banks should also face up to the fact that their single-minded pursuit of profits almost led them to the brink of bankruptcy. The lesson to be learned from this experience is that for economic growth to be sustained, close attention must be paid to the mutual interests of all parties involved.

S.S. Solutions to the Child Labor and Malnutrition

5.5.1. Law

Governments must play an important role in minimizing child labor. First of all governments must enforce legal measures to make child labor illegal. In this respect, although most countries have laws but implementation is weak. So more inspections are needed in factories, plantations and etc. A sound monitoring system is also needed to check child labor. High penalties should be imposed on offenders. Governments should consult local NGOs, social workers, multilateral agencies, and etc in enforcing child labor laws.

5.5.2. Financial Assistance

Educational systems in some Southeast Asian countries should be improved. First, school fees should be free for all students at school level. More importantly financial assistance to poor children should be given priority. In this instance, many developing countries don't have sufficient resources to finance universal education at school levels. Developed nations like Japan may assist by establishing a fund to provide more educational opportunities to poorer children in the developing nations.

5.5.3. Reforms in the Educational System

Some governments in the sub-region should also reform their educational systems. As described earlier, these countries have defects in their educational system, which is not encouraging for students. These are 1. Inaccessible environments and facilities. 2. Biases of teachers,3. Poor quality of educational training. 4. Rigid methods and rigid curriculum. 5. Lack of teaching aids & equipment. 6 Teachers are under-paid. 7. Parents & communities are not actively involved .

To reform the education system these problems should be solved. First there is a need to develop good institutes for training teachers. Second, there should be sufficient teaching aid & equipment. Third, salaries of teachers should be increased. Fourth, more educational facilities should be provided in areas where large numbers of children are economically active.

To implement these reforms huge financial outlays are required.In this respect developing countries need assistance from developed nations like Japan as well as multilateral agencies. It is vital and essential to reform poor educational system.

5.5.4. Building more Training Facilities

Governments should provide more training facilities for children who are engaged in child labor. Governments should also ensure that before this is done appropriate laws and policies are enforced to minimize the number of working children. National governments could also mobilize local communities and NGOs to assist in this respect.

5.5.5. Multilateral Support

As described earlier, child labor is a complicated problem. Much efforts, laws and policies are required to curb child labor. In this regard multilateral support is sorely needed in terms of funding, training as well as in monitoring child traffic.

5.5.6. Population Control

As mentioned earlier, surplus population is a major contributing factor for child labor. Governments should adopt birth control measures through a major campaign in conjunction with the mass media and NGOs.

5.5.7. Economic Policy

One of the most important tools in reducing poverty is economic growth with equitable distribution of income. Child labor is clearly linked to poverty as well as poor distribution of income and resources among citizens. One of the key solutions to achieve a more equitable distribution of income among citizens is to promote education. Japan provides a classic example in this regard. This nation has provided educational access to all segments of the population thus increasing the number of the middle class population.

Developing nations in Southeast Asia could emulate Japan's example. Corruption, nepotism, mal-administration and greed among politicians have also aggravated child labor problems in some countries in Southeast Asia. Accountability and clean governments are a rarity in the sub-region. As such politicians should root out corruption to ensure that all policies including those related to child labor are implemented vigorously to eliminate this problem.

Conclusion

In the conclusion we have discussed the North-South gap and its implications. This gap how it emerged and the causes of its emergence because the North-South gap is really an important phenomena in our modern time and also it deserves to be discussed, and try to suggest solutions. First of all, we should know that the colonialism of North over the South is one of the reasons of the gap. This gap is responsible for many and complicated problems in the South like poverty, lack of technology, political instability and illegal immigration and others.

Today's North-South gap traces its roots to the colonialisation of the Third World regions by Europe over the past several centuries. This colonialisms occurred at different times in different parts of the world, as did decolonization. Colonization has a negative impact on local population, such as slaves trade, the slave trade had a deadly impact on African society. As a result, Africa societies and other developing countries are still suffering from colonization's negative impacts where the most serious problems are "brain drain" to the North extreme poverty and un ability to use technology. With the second wave of European colonization sometime in the 1800s, Africa was left with a legacy of massive poverty, economic stagnation, crippling indebtedness, wars and conflicts. For these reasons (slaves trade, exploiting the South..etc) anti colonial movements arose throughout the Third World at various times using various methods. These culminated in a wave of successful independence movements after World War 2, in Asia, Africa and Latin America. Following independence, the Third World states were left with legacies of colonialism, after which, the Third World countries experienced many problems like, wealth accumulation, and weak economic infrastructures. Today, many countries still have the same problems. After the second world war the gap between the North and the

South has widen economically,politically ..... etc. To reduce this gap the colonial nations have to bear the responsibility toward the southerners in all aspects. They also must revolutionize their attitude from superiority to equal partnership.

The importance of North-South gap have been discussed by many theories to explain the roots of the problem between both unequal systems. Also, they have looked for the best solutions for narrowing the gap. There are four theories that explain this critical issue, namely, Mercantilists, Liberalism, Marxism, and Structuralism. All of these theories discuss according to their point of view and the circumstance in their environment. Moreover, they nearly agree about the equalism in everything like trade, instability, and, liberalize, the markets. But others emphasize that the developed countries should give assistance and support for developing countries to give them a chance for prosperity and welfare. First of all, Mercantilists favor trade policies that produce a trade surplus for their own state and use of economic policy to increase state power relative to other states. Other important theory which is Liberalism emphasizes that the poor countries should overcome its economic troubles by giving the opportunities to free trade and private sector to share building the national economics of the Third World. both Marxist and Structuralists disagree with liberalism and they insist to establish an independent economic reforms by industrialization and true social system. As a consequence, it is true to say that all the theories mentioned above are not perfected and they have shortage in the complicated global system. Despite of their shortage for covering all aspects of this gap issue, but these theories may be the best to discuss this issue in depth. According to long studying and concentration, I agree with the first theory in my study which is the so-called Mercantilists, because it advocates realism and claims that the Third World has to create wealth and power in order to preserve and protect the national security and independence. Furthermore, it emphasizes the use of positive ways for trade balance and the role of institutions.

The most important phenomena in my study is Globalization and its effects on the Third World. Theoretically, globalization had emerged to improve the economic system in whole world equally. However, the globalization itself has been directed by the developed countries to serve their own interests regardless of the interests of the developing countries.

In my study I found the relation between globalization and inequality in all globalization aspects like liberalization of trade and its effect on the Third World. Furthermore, the Third World, particularly, Latin America, Africa, and some Asian countries have great problems with globalization and its effects that resulted in trade deficit and widened the gap between rich and poor countries. The world has been globalizing rapidly in recent decades. While this process appeared to hold broad support in the mid-1990s, it has recently come under sustained attack. Clearly, whether to continue this process has become very much a political question, and one with enormously important implications. One important feature of the globalization process has been a major shift in the nature of the trading relations between developed and developing countries. This shift, from dependence on exports of commodities, to much greater reliance on exports of manufactures and services, is sufficiently pronounced as to require rethinking of old approaches to viewing trade and development. It has also placed major pressures for change on the multilateral trading system as developing countries have become much more active participants.

Our study also doesn't neglect the problems of the developing countries. These problems come from colonialism and its effects, poverty, lack of technology, chronic problem like the poor people are lazy because they can't make more production and they still depend on the developed countries for their financial support. Add to this, the catastrophic events like earthquakes, hurricanes, and civil wars in which they have poor infrastructure to avoid or to face. Further, an important problem in the Third World I discussed that is the effects of Colonialization and globalization which, came by the rich North, resulted in the rise of inequality, i.e. unequal distribution of benefits and losses. The third problems is high unemployment, because of authoritarian regimes which are supported by the West (Elites) and the lack of productive economic plans, the unemployment became a chronic problem for the Third World. Another important problem is the lack of education and losing the human resources like children who give up the education early for working in order to help their families. Overpopulation is also a major problem because of illiteracy, retarded societies, and narrow-minded mentality for overpopulation in the Third World, more than 6.2 billion World population will reach 7 to 8 billion within 25 years and may eventually level out around 10 billion. virtually all of the increase will come in the global South.

Future world population growth will be largely driven by the demographic transition. Death rates have fallen throughout the world, but birthrates will fall. proportionally only as per capita incomes go up. Death rates are stable and little affected in the large picture by wars, famines, and other disasters. Rising the death rate is not a feasible way to limit population growth. Population pressure do not cause, but do contribute to, a variety of international conflicts, economic competition, and territorial dispute The faster the economics of poor states develop, the sooner their population will level out. Hunger and malnutrition are rampant in the Third World. The most important cause in the displacement of subsistence farmers from their land because of war, population pressure, and the conversion of agriculture land into plantation growing export crops to earn hard currency.

Third World debt, resulting largely from overborrowing in the 1970s and 1980s, is a major problem. Through renegotiations and other debt management efforts, the North and South have improved the debt situation in recent years. However, the South remains almost $2 trillion in debt to the North, and annual debt service consumes about one-sixth of all hard-currency earning from exports of the South. Also government corruption is a major obstacle to development throughout the third world.

Poverty in the South has led huge numbers of migrants to seek a better life in the North; this created international political frictions, war and repression South have generated millions of refugees seeking safe haven. Immigration of educated people from the Third World "Brain Drain", result in political and social depression. The last important problem is debts, as long as the debt still exists, the Third World will never be progressive.

In the post cold war era the emergence of the New World Order had great effects on the Third World. These are political, economic and cultural effects, where the North needs the stability and democracy within the Third World by establishing a new structure system in terms of economic free trade and human rights, in which the values of the North should be an example for the South. However, the new world order faces many challenges like poor economic production, lack of democracy and insecurity in many Third World countries like ethnic wars, and fighting around the wealth by elites.

It is based on a narrow conception of the Third World interests, position, and role within the international system. While it is easy to question the relevance of a Third World in the absence of the second, several elements of the Third World's security predicament within, and political predisposition towards, the established international order have survived the end of the cold war and bipolarity. The end of the Third World does not mean the disappearance of the North-South gap, it only means changes in the way in which the gap is being managed.

Although the North-South divide persist, even as Southern unity over these issues has collapsed. While the Third World, never a cohesive or homogeneous political entity, has become even less so in the post-cold war era, the future of the international system which originally fuelled its political and economic demands and aspirations remain. Proclaiming an end to the Third World may seem a logical corollary to the 'victory' of the West-East conflict, but it obscures the persistence of the South's acute insecurity, vulnerability, and consequent sense of inequality in the new emerging world order. These cannot pave the road of happiness in any Northern construction of a new world order, since the Southern predicament of instability and inequality affects the economic and political well-being of the North itself, human rights, and conflict-resolution aspect, cannot be realized without Southern participation and cooperation. For a genuine new world order to emerge, the concerns and aspirations of the South and its reservations about aspects of the Northern approach to order-maintenance must be recognized and addressed in the new agenda of global politics.

After discussing the North-South gap and how it has emerged, some solutions to narrow this gap has to be suggested, especially the economical gap. The solution to problems to the Southern countries, which were created by the Northern Colonialists. These problems as discussed before are poverty, children, immigration ... etc, all problems could be solved by different ways, where the Southern countries have to develop their education system, industrialization, agricultural fields, to reduce Brain Drain, and reduce the expenses of military expenses. Furthermore, the South should establish democratic institutions, and strong relations and cooperation with the North for progress and development.

I believe that the the North-South gap will widen, because of several factors. Such factors like civil wars which supported by the North in order to exploit the South's natural sources and raw materials. The poverty and political depression also increases the immigration from the South to the North which make unbalance of economic power. Moreover, the South also faces natural disasters ..etc, that they can't handle earthquakes... etc, recently,, the World was shocked by the most catastrophic earthquake the "Tsunami" in Southeast Asia which increased the poverty and diversely affected the development plans in five Asian countries for years to come.

The gap will never be narrowed unless the countries of the North and particularly the G8 countries do not stand up for their mission toward the South before coming worse. Northern nations much take a historical decision for canceling the all or most debts for the South, and give support avoid their problem by giving up the Colonialization control, and economic exploitations by the great companies and give the opportunity for the South self-dependence. Consequently, the North-South gap is a complex issue, and can not be solved within short time, but it needs a long period by establishing real democracy, affective cooperation among each other, and assist them financially without interests and profits, also they should lend them simple and long period of loans. In the foreseeable future the destruction of this gap is completely impossible but the South needs to narrow it in a reasonable way. Then experts, politicians, economic planners, and social scholars and all other sectors should collect their efforts altogether for a brighter future rather than avoiding responsibility - deeds instead of words are absolutely needed.

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