The Impact of Globalisation on Poverty and Inequality in the Global South

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Globalisation according to Luke Martell is "the integration of poor countries into a world economy of open competition" (Martell 2017, 148). Its process allows hundreds of people to live in the comfort of not having to worry about food, money, health care or education. They are lucky enough to take such basics for granted and to be oblivious to the gap of inequality and poverty (Bardhan 2006). The IMF's neoliberal policy of the World Bank, the rise of the Green Revolution, and Structural Adjustment policies created a gap with a chasm of injustice in between. While, anti-globalists see globalisation as a producer of inequality, others view it as equalising, democratising and expanding the horizons of the poor. The latter conviction is partly the result of a belief in the beneficial effects of free trade. Maintaining that inequality is not the same as poverty, as inequality can rise while poverty can reduce, this essay will explain the impact globalisation has had on inequality and poverty in the Global South. It will begin with the counter-opinion to this essay – that globalisation has made the world a better place and reduced the gap between the West and the "rest", by explaining the beliefs of anti-globalists, present how neoliberal policies in the 1980s failed in becoming effective to developing countries. Finally, it will touch on problems of inequality in the fast fashion industry and inhumane working conditions which, despite reducing poverty, did not render these countries economically viable.

To begin with, it is important to outline some of the terms being used in this essay. While it is very hard to define "inequality", as it can be examined through a multitude of factors, according to the European Commission there are two main ideas – "inequality of outcome and inequality of opportunity" (Ec.europa.eu. n.d.). However, in this essay I will focus mostly on the former, the 'inequality of outcome', defining it as "how the income earned in an economy is distributed across the population" (Ec.europa.eu. n.d.). This is extended by the European Commission's definition of poverty from 1984 – "the poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the member state in which they live" (Spicker et al. 2007, 71). There are two waves of globalisation. The first dates from the beginning of the nineteenth century to the First World War and the second established in the second half of the twentieth century (O'Rourke 2001). Economists usually stand by the belief that globalisation made the world more integrated, as local economies become no longer just individual. The improvement of development that happened over the past 200 years has been very supportive for developing countries. As Martin Wolf argues in "Financial Times" – global economic integration made both poverty and inequality fall over the past two decades for the first time in 150 years, "a decline of people in the absolute poverty, fall from 31% of the world's population to 20%" (Held and McGrew 2016, 441). This is further extended, as "between 1981 and 2001 the percentage of rural people living on less than 1 a day decreased from 79 to 27 per cent in China, 63 to 42 per cent in India, and 55 to 11 per cent in Indonesia" (Bardhan 2006). Providing such data, one could conclude that globalisation has strongly contributed to the improvement of the economic and living situation in developing countries.

Nonetheless, it's worth pointing out that China and India include over a third of the world's population and are an example of the fastest developing countries. Through their rapid growth they succeeded in fighting poverty and reducing undernourishment, meanwhile in looking at sub-Saharan Africa there is still 23% of people living undernourished (Held and McGrew 2016). Following this, if we take China out, the global economic situation has worsened in other parts of the developing world. For example, the poverty in Sub-Saharan Africa has risen from 290 million to 415 million and “at the end of the nineteenth century, the ratio of average income in the richest countries to middle income in the poorest was 9 to 1” (Martell 2017, 138). What’s more, the middle-income family today in the United States is 60 times richer than the average family in Ethiopia or Bangladesh” (Birdsall 2003).

In contrast to supporters of globalisation, anti-globalists believe the result of globalisation is negative, and the inequalities in the world instead of decreasing, are increasing. A “movement of movements” emerged in the late 1990s in opposition to neoliberalism, in the form of organisations like WTO. Movements like “Battle of Seattle”, aimed to repeal laws and lack of democratic accountability, protect public health, stop the negative impact of globalisation and try to bring the power back to the people again. When showing the negative effect of globalisation it is important to mention that today’s “rich countries” were already rich many years ago (thanks to the industrial revolution). In turn, poor countries, (which were poor from the beginning) did not gain much from it. For anti-globalists, the IMF’s neoliberal policies had led to greater indebtedness and even greater inequality. They believe that the neoliberal global economy would only effective and beneficial if everyone was equal (Martell 2017).

Firstly, the Green Revolution occurring between 1950 and the late 1960s invoked a boom in agricultural production and pushed a demand for more in developing countries. This meant something different for poor Africans than that for rich corporations. It indeed increased the production, but at the same time it rejected small farmers who could not afford the High-tech inputs and went bankrupt or disappeared (George 2013). To best show the negative effects of the Green Revolution, it is worth mentioning how it affected Pakistan and Ethiopia. According to Niazi (2004), the Green Revolution did not end the existing hunger, poverty and unemployment, but instead increased them and contributed to social inequalities through unequal access to production resources (Birdsall 2003). It also led to inequalities in distribution. There are opinions that the Green Revolution played a major role in reducing poverty in Asia through the emergence of international partnerships, which helped to develop products suitable for the poor, such as drugs, vaccines etc. (Bardhan 2006). In Ethiopia, on the other hand, although the Green Revolution led to an increase in food production, it contributed to huge social tensions (Birdsall 2003). Again, because the effects of the Green Revolution were mostly harmful for the Global South, it supports the previous argument that the global situation, discounting China and India, is worsened in other parts of the developing world (Martell 2017).

Secondly, in the 1980s and 1990s, developing countries opened and liberalised their markets by creating reforms, reducing tariff barriers, privatising their economies, and, after time, opening up capital markets. This opportunity to put neoliberal policies into practice within developing countries had a huge impact on them and led to sudden increase in interest rates. The way in which poorer countries have become included in world trade was created through the Washington Consensus, implemented with the help of organisations such as the World Bank and the IMF. This led to the Debt Crisis of the 1980s which played another significant role when it comes to poverty in the Global South (Martell 2017). The IMF’s structural adjustments, loans under special conditions, aimed to help fight the debt crisis and restructure their economies. Along these lines, Washington Consensus policies promoted liberalisation of trade, the elimination of barriers to foreign trade, and the achievement of stable and balanced economic development, to finally fight against the Debt Crisis, thanks to the influence of neoliberal policies and financial institutions. This created a situation where organisations and rich countries provided financial support to poor countries in order to stimulate development (Martell 2017).

The Structural Adjustment Policies, in fact, led to poor, negative growth, a dramatic increase in external debt, decrease of exports and, in the end, doubled poverty. Summing up the Washington Consensus, its numerous problematic reforms that were implemented in Latin America and other countries of The Global South did not produce the expected effect. According to Joseph Stiglitz, globalisation and more specifically the Washington Consensus lacked in attention to governance and did not adequately consider the impact of economic policies on the state and its role, thus failing to address both poverty and inequality (Stiglitz 2017). What is more, the companies of rich countries in fact benefited from it because of the easing of tariffs (Martell 2017). Evidently, there is a need for more active and integrated policies than the one provided by the SAP to allow developing countries to benefit from globalisation (Kaplinsky 2013).

Again, globalists believe that people in developing countries are more productive thanks to the industrial growth, which still increases through globalisation. They allow that fast-fashion company owners becoming millionaires, while the women working in the factories earn 3 dollars per 10 hours every day, without any rights, displays inequality. But globalists argue that because the workers' standard of living is much higher than if they were without that job, it is actually beneficial for them (Bardhan 2006). An Oxfam report in 2002 quoted, a 23-year-old mother working in the factory in Bangladesh: "This job is hard–and we are not treated fairly(...) But back in my village, I would have less money. Outside of the factories, people selling things in the street or carrying bricks on building sites earn less than we do" (Bardhan 2006) In addition, The University of Sussex in England and the Bangladesh Institute of Development Studies claims that "the average monthly income of workers in garment-export factories was 86 percent above that of other wage workers living in the same slum neighborhoods" (Bardhan 2006). Therefore, this creates a paradox. Although it might reduce poverty, it does increase inequality.

The women working in fast-fashion live on low wages, under unsafe conditions and harassment. Not only do they receive less pay than male employees, but they also are not allowed to ask for more rights or better working conditions (Kaur 2016). Even though the report from Oxfam shows that without the job in the sweatshop factories they would not be able to have food and basic needs, and they would earn much less, the "War on Want" report published in July 2011 shows that "wages of the sweatshops workers were not enough to allow them to provide their family with basic human necessities"(Kaur 2016). Therefore, sweatshops today are not only the cause of inequality, but also poverty, as the "War on Want" report on the living conditions of these sweatshop workers aligns with the definition of poverty illustrated previously by the European Commission in 1984. Globalisation and the fast-fashion industry has created a situation where these women are under huge pressure to feed their children and lack the rights of registered workers, often under sexual harassment, low wages and hazardous working conditions, while the owners of these fashion brands are becoming millionaires and continue to benefit from it (Kaur 2016).

To conclude, while some countries benefit from globalisation, others are left behind with increasing inequality. As Hans Rosling once said, globalisation is often accused of the creation of "the West and the rest" (Rosling et al. 2018). On the whole, The Washington Consensus, SAP, the World Bank and the IMF's strive towards global liberal integration and liberal trade did not create an effective solution for the Global South to get out of poverty and inequality. My essay has introduced that globalisation and free trade "would be a good thing if all actors were equal participants" (Martell 2017, 138). Neoliberalism has created a situation where while the poor benefits, the rich still get richer and it does not make the gap any smaller. If we look more broadly, while China and India are reducing levels of poverty, other developing countries are still left behind and are not positioned as an equal participant in the whole process of global economic integration. Therefore, the opinion of Joseph Stiglitz about the Global South being mostly worse off from globalisation seems to be accurate. Globalisation failed in analyzing its impact on poverty and inequality in developing countries. Globalisation as a concept is not itself the problem, but the way it is being managed and put into practice is hugely problematic (Stiglitz 2017).

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