



IMPACT OF GLOBALIZATION ON THE THIRD WORLD: VENEZUELA AS POINT OF DEPARTURE

Sheriff Ghali Ibrahim¹ and Mustapha Abdullahialiyu²

¹Department of Political Science and International Relations, University of Abuja

²Department of Social Sciences, Kaduna Polytechnic.

ABSTRACT: *The paper examines the concept of globalization and analyses its impact on the political economy and social well-being of the Venezuelan state. Using the descriptive method and library instrument, findings show that Venezuela and the Venezuelans are currently caught in the web of globalization as America and Europe designed-hence the state and fate of Venezuela even as an oil rich country appears to be on the brink. The paper concludes that globalization as a real political and economic packaging of American global hegemony, was designed to enforce on the world, American political views through United Nations and the American foreign policy directives and American economic interest through the World Bank and the IMF. In the context of globalization there is a rich neighbor (the U.S.A) suffocating life out of the masses of a poor nation Venezuela, all because of differences in political ideological lining. the paper recommends that for Venezuela to bring back its glory as a sovereign entity, the united states must withdraw from interfering in the affairs of Venezuela, which seems cumbersome, but this can be influenced by other foreign powers such as Russia and china. Venezuela must try harder to curtail the level of human suffering by soliciting aid from the outside. This will provide a room for essential services to be delivered and attract citizens who left the country to return for strengthening their own country, among other things.*

KEYWORD: Globalization, Third World, Venezuela, Point of Departure, Latin America

INTRODUCTION

The term Globalization has become a bandwagon which the neo-liberals and their intellectual backers have fashioned and insisted that the entire universe must flow with despite historical, situational, resource capacities and the general developmental needs and challenges peculiarities. On this note, globalization as Okoyeocha (2009) observed, has produced compelling (and most times daring) effects on the environment, on culture, on political systems, on economic development and prosperities, and human physical well-being in societies around the world. This is as the era of globalization intensifies global inequality, global poverty, global calamities and catastrophes in large industrial waste that are discriminately dumped to the developing countries by the developed worlds. Global warming and climate changes and their after effects such as tsunamis and droughts are understood as the effects of globalization. While, these global economic and political outlook rage on, arguably, globalization equally made the flow of capital, labor, goods, ideas and information much faster across the globe than ever before. It is clear that part of the world in the Europe (England, France, Germany, Netherlands, Switzerland etc.) and the north America (especially



United States of America USA) continue to glow in the light of globalization. The countries in the southern hemisphere fondly refers to as the Third World which denotes all countries in Africa and the Latin America despite their proven natural and human resources continuously found the light of globalization eluding them (Sachs, 1999).

The simple and glaring factual relationships between the First Worlds (Europe and USA) and Third World is uneven developmental balance which translates into economic prosperity (great GDPs), technological advancement, human capital development, excellent infrastructures, foreign direct investment (FDI) reverses and political stabilities and general wellbeing's, while these social economic developmental indicators have their reversal obtainable in the global south (Africa and Latin American countries). Could this duality in globalization, the first world and the third world be a design or was it ordinarily? It is said that globalization means and implies many things to many people. According to Kellner (1995) "the term (globalization) is used in so many different contexts, by so many different people, for so many different purposes, that it is difficult to ascertain what it is at stake in the globalization. And that, what functions the term serves, and what effects it has for contemporary theory and politics remains problematic" (in Dimitrova, 2002). This paper examines some of the implications and consequences of globalization as being experienced in Venezuela as a third world country. The next segments provide the theoretical frame for the paper, followed by globalization and its consequences in details.

The Theoretical Framework of Analysis

At this juncture it is pertinent to make clear the theoretical back-up for the paper which is the dependency theory. According to Offiong (1980) the concept of dependency was coined by the Brazilian sociologist Fernando Henrique Cardoso to make economic and political analysis of the global development and under-development in the Third World countries. Some important features of the dependency theory include the assumption that, crucial economic decisions are made not by the countries of the third world even as they harbor resources (mineral/natural) but by powers and huge global corporations and bodies outside the shores of the third worlds. These political and economic relations of domination and exploitation by foreigners supports by either outright application of political pressure or even military interventions in the imperial nature on the colony/satellite or nation state, continue the perpetuation of poverty and misery in such Third World while the dominating power reap from such calamities in many ways.

The theory further posits that in this global exploitative political and economic relations of domination, the Third World elites (bourgeoisie's classes both political and economic) collaborate with the core nations political and economic apparatus to exacerbate misery, poverty and general backwardness of the Third World. Other important tenets of the dependency theory are "conditioning situations" like loan and military assistance, technological, socio-political, and capital domination of the satellite by the metropolis, wherein the multinational corporations play a crucial parasitic role in favor of their home countries.

This theory and its application to understanding globalization could not be more comprehensible than in the ongoing and clearly USA and European attempt at political emasculations of Venezuela, the U.S.A and Europe rapacious economic strangulations of the nation's Venezuela and U.S.A and European sowing the cord of social instability in the



nations after the demise of presidents Hugo Chavez (1954-2013). The state of Venezuela has been in the news for so many unpleasant stories. This is a rich country in terms of proven crude oil reserve, but with its highest currency (*Bolivar*) worthless than tissues papers. Venezuela is now a country which the global media (CNN, ALJAZEERA, FRANCE 24, BBC etc.) daily portrays as a country under dictatorship of Presidents Nicolas Maduro.

The western media daily shows Venezuelan citizens leaving the country in mass migration because of the leadership cannot provide for the citizens' basic human necessities such as tissue papers and other sanitary necessities. In Venezuela the print newspaper outlets have mostly folded up due to lack of papers and other industrial materials needed for daily printing. Such materials are mostly imported from the U.S.A. (Large parts of Venezuela (including schools and hospitals) is in darkness due to the facts that spare-parts for machines to generating electricity for their operations must be imported from the USA and other European countries and the USA and such Europeans are not ready to satiate the Venezuela importation needs.

The reason for the above is partly because Venezuela is in the bad book of International Monetary Fund (IMF) and the World Bank which certified the Venezuelan economy as unhealthy, and therefore, cannot guarantee the Venezuelan trades: importation and exportation (which are mostly to the Americas: USA and other Latin American neighbors of Venezuela). Secondly, the USA and Europe did not certify Venezuela as a true democratic nation even as the nation recently conducted elections that saw the incumbent presidents Nicholas Maduro emerged for his second tenure and being sworn in by the nation's constituent assembly and the judiciary as recognized by the military which continue to openly show its loyalty to President Maduro. The simple questions now are why is the state and fate of Venezuela even as an oil rich so bad? The simple explanation and answers to such query is that Venezuela and the Venezuelans are currently caught in the web of globalization as America designed. This position is made clear in the light of understanding of globalization by (Dicken, 2007; Steger, 2007; and Delanty and Rumford, 2007).

Globalization and Its Consequences

According to Ritzer (2007), one of the points that is almost always made about the study of globalization is how contested almost everything is, including the definition of globalization itself. This has led to scholars' definitions and explanations of the concept differently. According to Wilczek (2008) who buttressed Anthony Giddens' definition of the concept, globalization is the "decoupling of space and time... with instantaneous communications, knowledge and culture that can be shared around the world simultaneously." Accordingly, Camedessus (1998) refers to the concept as disinterested movement of history bestowing benefits without discrimination upon the earth's people (in Okege, 2008). With this form of definition as championed by especially Camedessus, the developmental state or phase in developing countries or precisely their underdevelopment state, came into mind. United Nations Conference on Trade and Development UNCTAD (2004) made a detailed categorization and classifications of the world countries and an assessment of the states of LDCs (least developed countries) and the DCS (developing countries) which are of particular importance for clarity and understanding of globalization and its consequences as follows:



The United Nations has used the term least developed countries (LDCs) to denote a category of countries (originally 24, currently 50) that are poor and considered highly disadvantaged in their development process. Countries on this list are considered to have a particularly high risk of failing to overcome poverty, and to need the highest degree of support from the international community in their development efforts (p.2).

The above definition and global economic dichotomization of the world clearly implies that while some nations progress and prosper economically, others must wait to be assisted, supported, help by others. Invariably for those helped, supported and assisted consequences awaited this form of developmental drive and orientation. Albrow (1990) saw globalization as the processes by which the peoples of the world are incorporated into a single world society, global society. But the understanding of Globalization by Curry and Newson (1998) best mirrored the implications of globalization and its consequences therefrom as affect Third World nations. They view globalization as a material set of practices drawn from the world of business combined with a neo-liberal market ideology.

According to Castells (1996) globalization is the institutional expressions of capitalist society, a rebrand of capitalism that is profoundly different from its historical predecessors with the system now having two distinctive features: it is global and it is structured, to a large extent, around a network of financial flows. As for Geyer and Bright (1995) their conclusion was that the process of globalization was not just acceleration along a continuum of European expansion but a new ordering of relations of domination and subordination among all regions of the world. According to the World Trade Organization (WTO) about two thirds of its members around 150 countries are developing countries. They play an increasingly important and active role in the WTO because of their numbers, and because they increasingly look to trade as a vital tool in their development efforts (Geyer and Bright, 1995). Globalization has not been equally favorable to especially weak nations and people in the globe. According to Batterson and Weidenbaum (2001), globalization fosters economic growth for global corporations at the expense of the world's peoples. This economic growth is accompanied by greater economic instability and financial crises. Multinational corporations enjoy record profits as follows (Batterson and Weidenbaum, 2001):

- a) U.S. companies' direct investment abroad grew by more than 50 percent, from \$613 billion in 1994 to over \$980 billion in 1998. This coincided with five consecutive years of double-digit increases in corporate profits, pushing the before-tax corporate profit rate to 8.5 percent, the highest level since the mid-1960s. The after-tax profit-to sales rate rose to 6.4 percent, the highest in the post- World War II period.
- b) Meanwhile, the world's peoples experience one global financial crisis after another, fueled by unchecked foreign investment and debt:
 - i) Latin America's debt crisis in the early 1980s plunged the region into years of hyper-inflation and economic depression. Annual economic growth in the region averaged just 0.8 percent from 1981 to 1990.
 - ii) The Mexican peso crisis in 1995, the result of a sudden exodus of substantial foreign investment and Mexico's low currency reserves, crashed the Mexican economy.



Economic growth in Mexico went from 4.2 percent in 1994 to *negative* 6.2 percent in 1995. U.S. economic growth stumbled, too, dropping from 3.5 percent in 1994 to just 2 percent in 1995.

- iii) Asia's 1997-98 financial crisis—the result of a lack of adequate institutional controls over capital—sent world markets tumbling and deepened already desperate economic conditions in other regions, as far away as Russia and Brazil. The East Asia/Pacific region sank into a deep economic recession with gross domestic product (GDP) dropping 1.5 percent in 1997-98. Russia's economy dropped by 6.6 percent during the same period, while inflation ran at an annual rate of 119 percent. Brazil, which had experienced robust economic growth for the five prior years, flat-lined in 1997-98, with inflation topping 433 percent. Another critical dimension to the consequence of globalization in the Third World countries is the area of poverty. Batterson and Weidenbaum (2001) found out that Globalization benefits the wealthy and further impoverishes the poor, resulting in a widening wealth gap worldwide between the rich and the poor—especially harmful to the low-income consumer.

Their contentions: The rich are getting richer:

- Income earners in the top one-fifth in the United States make almost twentyfold what income earners in the bottom fifth make. This ratio doubled over the last two decades. The top 1 percent of income earners hold about 40 percent of the country's wealth, more than double the percentage in 1975.
- American families with incomes over \$100,000—the richest group of Americans—saw their average net worth soar by 22.4 percent from 1995 to 1998, to \$1.7 million per family.
- The United Nations reports that the wealth of the 200 richest people in the world is greater than the combined income of 2 billion of the world's people.

And the poor are getting poorer:

- In the maquiladora trade zones along the U.S.-Mexican border, food, gas, rent, electricity, transportation, water, and refrigeration costs totaled \$54 a week in 1998. The average net weekly pay for maquila workers in Mexico is \$55.77, leaving \$1.77 a week to spend on education, clothing, health care, and other necessities.
- Countries with more than half of their populations living below the national poverty line in the 1990s included Azerbaijan, Chad, Gambia, Haiti, Honduras, Madagascar, Mauritania, Nicaragua, Niger, Peru, Sierra Leone, Tanzania, Vietnam, and Zambia—all of these countries experienced substantial declines in annual export volume from 1980 to 1997.

Batterson and Weidenbaum (2001) contested that, in globalization, open markets worldwide supposed to allow for countries to trade goods and services freely, at a lower cost and with greater efficiency. The result is clear: in countries that welcome globalization, consumers enjoy lower prices, a greater variety of goods and services, and rising living standards. Those that close their doors do not. To the authors



therefore with globalization, the rich are getting richer, but so are the poor. The above consequences of globalization and the developing countries have not really improved as studied and presented by Batterman and Weidebaum (2001). In the positions of Rosenberg, Hirst and Thompson, globalization is a highly misleading description of contemporary social reality (Rosenberg 2005; Hirst and Thompson, 1999).

Impact of Globalization on the Third World: Venezuela as Point of Departure

Sule (2008) defined globalization to imply “the entire globe and humanity living in the era of intensified process marked by accelerated flow of goods, services, capital, images, knowledge, fashion, labour, etc. through electronic information and communication, electronic transfer of large funds across borders and closer relationships and unprecedented interdependence among nations like has never been witnessed in any historical epoch of human existence. This segment in this presentation illustrates in details that globalization as meant none of the implications identified by Sule (2008). This is with respect to millions of Venezuelan lives that have continuously been harassed, traumatized and suffocated for the crime that the nation’s leadership tends to independently follow another political and economic ideology different from that championed by the USA. The contention hinges on the definition of Globalization by Beck (2000), that globalization implies the weakening of state sovereignty and state structures. The implication of globalization was made more explicit in the lights of Angell’s (1911) description of globalization as the world economy becoming so highly interdependent as to make national independence an anachronism, especially in financial markets.

Development is not only the capacity of nations to transform and improve on their numerous human capacity that range political independence, economic independence and market capacity, knowledge use in science and technology, international relations mostly diplomacy. All these aspects of development could translate to education and literacy of the citizens, work and income for the citizen, healthcare services for the people, functional infrastructures and utilities such as hospitals and other forms of healthcare facilities, schools, energy (cooking gas and petroleum etc.), Venezuela a crude oil rich nation lack all of these aspects of developmental needs.

In 1811, Venezuela became the first Spanish-American colony to declare independence, this was not secured until 1821, which was completed only in 1830. From then on, Venezuela battled the crisis of development occasioned by the American capitalist interest and influence in its crude oil reserve, exotic wildlife and admiring agricultural base, up to the early 1990s. The response of the nation’s radical political elites was Bolivarian revolution. Bolivarian revolution was a political process led by the late president Hugo Chavez, the founder of the First Republic Movement and later the United Socialist Party of Venezuela (USPV). Nationalism and state led economy was the philosophy of the movement. Late Chavez designed the slogan of the Bolivarian Revolution as: motherland, socialism or death, which he changed to, motherland and socialism. We will live, and we will come out victorious. Chavez, before his death chose as his successor Nicholas Maduro.

From 2015 to date Venezuela, an oil rich country has been passing through the ugliest phase in its socio-economic and political development.



It could be said that this socio-economic and political crisis began during the presidency of Hugo Chavez and just continued into the presidency of Nicholas Maduro. The situation is the worst economic crisis in Venezuela's history, and among the worst crisis experienced in Americas, with hyperinflation, soaring hunger, disease, crime and high death rates, and massive emigration from the country. Observers and economists have stated that the crisis is not the result of conflict or natural disaster but the consequences of populist policies that began under the Chavez administrations and the Bolivarian revolution. The Brookings institution saw the Venezuelan crises as best the foster child for how the combination of corruption, economic mismanagement, and undemocratic governance can lead to widespread suffering.

Venezuelans have described their current predicament from the attempts to assert socialist democratic credential sharpened by the Bolivian revolution against the American hegemony in the region and in the globe. Hugo Chavez since 2010 had described and declared that what is happening to them was nothing other than 'economic war' declared against Venezuela by the USA and its allies. The crisis intensifies in an alarming rate under President Nicholas Maduro government, growing more severe as a result of low oil prices in early 2015 and a drop-in production from lack of maintenance capacity of the Venezuelan oil firms and the drifting away of investments from Venezuela at the beckon of the U.S. In the political economy of crude oil exploration and exportation which sustains economies in Latin America and specifically in Venezuela.

Technical and technological capacities of the global oil companies that are multinational (MNC) in nature and whose activities and political considerations determine nations such as Venezuelan solvency, as they held both financial (investment) and payments/repatriations capacities (e.g. access to world bank and IMF and their arteries such as ICBC, JP Morgan Chase, HSBC, Bank of America Citi Group, Lloyd Banking Group, Barclays (in banking) In, Investment service; Morgan Stanly, Fannie Mae, Freddie Mac, UBS, Goldman Sach,). Such oil majors often controlled by American interest and these investment and financial bodies have continuously argued that with the Bolivian revolution from Chavez era their shares and expectations from the crude oil business in Venezuela have not been favorable.

From 2015 the global crude oil prices have not moved substantially from \$50 per barrel and Venezuela has a lot of unsettled debt with the USA, and its banks therefore, the Breton-Wood Institutions (IMF and World Bank) believe that Venezuela stand no right to access further World Bank or IMF economic concessions to attracts trades in its crude reserve, which proceeds might provide huge amounts of funds it require to run state enterprises like hospitals and their supplies, schools, daily utilities (such as toiletries which are provided as a social service conceded to the people (citizens) as the dividend of their revolutionary sacrifices). Thus, Venezuela especially launched into the pitied limbo created by the global media (CNN, BBC, France 24, Aljazeera etc.).

CONCLUSION AND RECOMMENDATIONS

The paper clearly identified globalization as a real political and economic packaging of American global hegemony which was designed to enforce on the world, American political views through United Nations and the American foreign policy directives and American



economic interest through the World Bank and the IMF. In the context of globalization there is a rich neighbor (the U.S.A) suffocating life out of the masses of a poor nation Venezuela, all because of differences in political ideological lining.

For Venezuela to bring back its glory as a sovereign entity, the united states must withdraw from interfering in the affairs of Venezuela, which seems cumbersome, but this can be influenced by other foreign powers such as Russia and china.

Venezuela must try harder to curtail the level of human suffering by soliciting aid from the outside. This will provide a room for essential services to be delivered and attract citizens who left the country to return for strengthening their own country.

Venezuela must encourage and improve agriculture even for sustenance, to able to feed the citizens, which is a pre-requisite against hunger and for social stability of the citizenry.

Nicholas maduro must continue to earn the support of the military in order to assuage the popularity and support for Guaido who is the self-declared opposition president of the country.

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