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Imperialism and global inequality: A critical analysis

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Abstract. The article intends to analyse economic changes between advance and less-developed countries and the issues of catching up. Our approach would be to analyse the evolution of developing countries (less-developed) in the world economy in a historical perspective. The important question for 21st century is whether the regions in Asia, Africa and Latin America would be able to catch or not? To answer this we need an understanding of both economics and history, which seems to be critical for a fuller picture on this issue. There have been on-going discussions about a sharp contrast in the international distribution of wealth between the rich (industrialised) and poor (primary producing) countries and it has been emphasised that the benefit of technical progress in the advanced economies would trickle down to the poor countries. The study finds that during the last three decades, there have been huge economic changes taking place globally and structural changes and patterns of trade have also taken place both in advance and developing countries. However, some developing countries have achieved faster growth rates than the advanced economies, particularly China, India, Indonesia and Turkey. However, they constitute a small numbers among the developing countries, but accounts large number of its population. The study concludes that most poor countries have not been able to converge, while largely the two largest ones, namely China and India have experienced rapid growth rates and economic changes in recent decades.
Keywords. Global inequality, Catching-up, International trade.
JEL. P45, O47.

1. Introduction

In recent years a number of studies have been published about the shift of balance of power from the West (US, Europe and Japan) to the East (China & India). (IMF, 2016; UN, 2011; Nayyar; 2013; Jacques, 2012; Rowthorn, 2008) The financial crisis in 2008 showed inherent weaknesses in the current international monetary system that contributed to global financial instability and soon after global economic crisis and a weak world economy. For developing countries, which rely heavily on international trade and foreign direct investment for growth and their economic development and the failure of the current global reserve system in ensuring sufficient international liquidity cause them to suffer from spill overs of global financial instability and economic crisis.

The paper intends to critically examine the on-going discussions on global inequality, It is about the international distribution of wealth between the 'industrialised' and 'primary' producing countries and it has been emphasised that the benefit of technical progress in the advanced economies would trickle down to the poor countries.

The study intends to highlight similarities and differences between countries and divergences within diverse developing countries and to analyse catch up in terms of industrialization and development from a global macro perspective with a

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focus on underlying economic factors. The aim of this paper is to examine economic changes between advanced and developing countries and the issues of catching up. Our approach would be to analyse the evolution of developing countries in the world economy in a historical perspective. The important question for 21st century is whether the regions in Asia, Africa and Latin America would be able to catch or not? To answer this we need an understanding of both economics and history, which seems to be critical for a fuller picture on this issue.

Since their independence, in the 1950s and 1960s, the developing countries share has risen and by 2014 their total share is over 44%, double than in the 1970. The industrial sector in the developing countries is also increasing and their share of value added in global manufacturing output increased from 13% in 1970 to more than 45% by 2014. However, the region wise the increase in manufacturing output was high unequally distributed. (IMF, 2016; Anievas & Nisancioglu, 2015) For instance, Latin America's manufacturing share of global GDP has only marginally increased to 8% between 1970 and 2015, while for manufacturing share of Africa has remained the same i.e. less than 3% for this period. Africa's share in manufacturing value added in 2015 was only 2%, as it was in 1970. (UNIDO, 2016) As the Chinese economy is "catching up" fast and also the Indian economy, both are re-emerging as most rapid growing economies and also major contributors to overall world's output growth in 21st century. China has become the second largest economy after the US, which is a remarkable development of the 21st century. (Jacques, 2012; Siddiqui, 2009) Moreover, the patterns of trade are changing as well. For example, the share of manufactures in developing countries exports rose from 12 % in 1980 to 64% by 2015, nearly half of this consisted of medium and high technology products. Another key development has been the rise of services in their export components of the developing courtiers such as information technology and e-commerce. Global income inequality could be measured in a number of ways such as: the first method of estimation adopted is inter-country inequality, which treats each country as individual and inequality measured is that of the distribution of per capita GDP among countries. The second method is supposed to be a little improved as it takes into account the population size of a country. The third estimation method takes into account the inequality of the world income distribution by combining inequality distribution in individual countries together with per capita income.

Globalisation and inequality has been in discussion for long time among the economists. The reason for this continuing debate seems to be that of openness in trade and its effects on global inequality (Girdner & Siddiqui. 2008). Some studies have pointed out that growth of income inequalities both within and between countries are largely due to globalisation (Wood, 1998). Similar points have been made by John Pilger. He observes, "On the surface, it is instant financial trading, mobile phones, McDonald's, Starbucks, holidays booked on the net. Behind this glass, it is the globalisation of poverty, a world where most human beings never make a phone call and live on less than two dollars a day, where 6,000 children die every day from diarrhoea because most have no access to clean water. In this world, unseen by most of us in the global north, a sophisticated system of plunder has forced more than ninety countries into 'structural adjustment programmes' since the eighties, widening the divide between rich and poor as never before. This is known as 'nation building' and 'good governance' by the 'quad' dominating the World Trade Organisation (US, Europe, Canada and Japan) and the Washington triumvirate (the World Bank, the IMF and the US Treasury) that controls even minute aspects of government policy in developing countries. Their power derives largely from an unrepayable debt that forces the poorest countries to pay $ 100 million to western creditors every day" (Pilger, 2002:2). He further observes, "Promoting this are the transnational media corporations, American and European that own or manage the world's principal sources of news and information" (Pilger, 2002:3).

The methodology to be followed here is derived from the aims of the study and comparisons of international statistics provide the means of addressing the research questions and the meeting of objectives of this paper. The data are obtained from official sources and from international institutions such as the IMF (International Monetary Fund), World Bank and OECD.

Section 1 presents an introduction on the topic. Section 2 discusses economic transformation in the colonies. Section 3 analyses the decline or economic convergence between the period of 1820 and 1950. Section 4 focuses on the theoretical debate. Section 5 examines the issue of free trade. Section 6 analyses globalisation and economic liberalism. Section 7 looks at catching-up. Finally section 8 concludes the findings.

2. Economic transformation in the colonies

There is no doubt that capitalism with rapid industrial growth laid foundation in the West, for higher and intensive production methods and increase productivity, which has provided us a possibility to achieve higher levels of incomes. However, by looking at capitalism today in a handful of advance economies does not present the full picture. The Eurocentric view does not include various factors which contributed towards the development of capitalism such as huge amount of capital accumulation, which came from slavery, plundering of territories and colonisation. For instance, the British rulers did not settle in India and they were only interested in transferring the wealth from India to support their own development of capitalism and industrialisation in Britain. Millions of Indian soldiers died to protect the British Empire with Indian money and materials (Siddiqui, 2017a). Most important question is what gave British state edge in the competition with other European powers, which helped the country to become a major industrial country. It was India, who not only provided British company with vast markets for their finished products and raw materials, but also with money and soldiers. As the 19th century Conservative Party Prime Minister Lord Salisbury emphasised that India: "an English barrack in the oriental seas from which we may draw any number of troops without paying for them" (Quoted in Arrighi, 2007: 136). It was due to Indian soldiers that Britain was able to keep large presence in the Pacific Ocean during World War II in the campaign against Japan.

The colonisation of the economies in Asia and Africa and Latin America in the late 18th and early 19th century put a break on the internally initiated progressive reforms and structural changes. It also imposed de-industrialisation, reoccurrences of famine and forced integration of their economies with the occupying powers. To strengthen their occupation various types of compromises were made with the pre-capitalist and reactionary forces and the policies of 'divide and rule' which brought untold sufferings to the people in the colonies (Bagchi, 1984).

Let us look at the pre-colonial economy. In 1750, prior to colonisation, India's share of the world economy was 23% of the world's total output. But nearly two centuries after British rule, it dropped to just 4% in 1947 (Maddison, 1998). Economic historians have agreed that India and China during the pre-colonial period were leading economies (Bagchi, 2010; Maddison, 2003). Moreover, Bairoch (1983) study indicates that in 1750, the income levels per capita in Europe were slightly lower than in South, while some others have suggested that in 1750 the levels of development and per capita income between Europe and Asia were broadly similar and were not very different (Parthasarathi, 2011; Pomeranz, 2000: 36-41). It is interesting to look beyond per capita income and to broad social indicators such as demographic indicators, life expectancy and literacy rate. The available evidence on life expectancy and birth rate were both similar in Europe and Asia in 1750. Life expectancy rose to 36 years in 1820, to 46 years in 1900 in Europe, while in the South remained lower i.e. 24 years in 1820 and 26 years in 1900. (Bagchi, 2010; Bairoch, 1993)

Moreover, the levels of industrialisation is important to examine not simply because it releases the overburdened agriculture but also facilitates development of

technology, raises productivity and also has spill over effects on the rest of the economy. Therefore, it is important to analyse this issue. During the 17th and 18th century, the world economy was characterised by a flow of manufactured goods from China and India to Europe and these goods were paid in silver and gold by European traders. Spices, cotton textiles from India and tea, porcelain and silk from China were exported to Europe (Frankopan. 2015). During the 19th century with the military defeat of India and China colonisation, which also coincided with industrial revolution in Britain, changed all this.

Although European colonial expansion began much earlier in the 16th century by Spain and Portugal, who were looking for silver, spices, salves from Africa and Asia. Soon after plantation and mining were established in the colonies and encouraged to produce profitable commodities such as sugar, cotton, maize and tobacco and all under the control of European businesses (Siddiqui, 1989). The policy of 'divide and rule' was followed and people were increasingly divided between racial and colour, which inflated hate, prejudice and violence unknown in the past. At the same time all these business activities, along with forcibly taken huge amount of silver from Americas gave European unprecedented source of capital accumulation which was invested back in Europe and also paid for Chinese imports and military conflicts. Moreover, the mercantilism and expansion of trade had full state patronage. Imports of spices, textiles, tea, silk and porcelain from India and China were paid by silver and other precious metal looted from Americas. In the late 16th century the Dutch defeated Spain and Portugal, but finally in the 18th century the British navy emerged as a stronger power in Europe. England also extended full state protection to its merchant ships (Chang, 2002). During the 18th century with England the rapid economic transformation took place i.e. population depended on agriculture for their livelihood fell from 75% to 35% in a very short period and importance of trade and manufacturing were growing both in terms of providing employment and income (Parthasarathi, 2011). Similar structural changes were observed in Netherlands, Belgium but at a much slower pace. A bit later and more modest decline of agriculture sector was observed in France, Germany, Italy and Spain. In England the rapid structural change also meant rise in urbanisation and expansion of trade also led to increase in literacy and more commercialisation of agriculture (Saville, 1969). However, during the mid-18th century exports from China and India was rising and was very competitive like Europe as they had efficient market and stronger property rights (Parthasarathi, 2011).

There seems to be more similarities between Asia and Western Europe in the mid-18th century than differences, when China and India together were able to contribute 50% of the world output (Anievas & Nisancioglu, 2015). Then question arises why Western Europe succeeded in industrial revolution not Asia. There seems to be a number of reasons. The shortages of wood in England followed by its deforestation compelled to the use of coal and state assistance was extended to spread use of technology in mining and also a number of policies were undertaken to protect infant industries such as woollen. The state protected domestic industries in its nascent stages (Chang, 2002). These active policy measures at domestic levels coincided with their military success overseas in 1688-1780. Finally, in 1757 Siraj-u-Daulah, the last independent Nawab of Bengal was defeated in the Battle of Plassey. It offered big opportunity to British to systematic plunder and loot of Bengal (Siddiqui, 1990).

British ruled in India from 1757 to 1947, during this period the income growth was negligible, and life expectancy declined. Moreover, during the second half of the nineteenth century per capita income had fallen in India by 50% (Hyndman, 1919:22; Davis, 2001). This was the direct result of the colonial policy of imposition of monoculture cultivation of indigo and opium for the export to China, while tea, raw cotton and wheat to be exported to Britain. The land tax was raised to very high levels that led to small peasants abandoning subsistence agriculture such as rice cultivation for indigo and opium. In the wheat production, the market

forces determined the price; India continued to export wheat to Europe even during the famines (Davis, 2001). The opening of Suez Canal further reduced the transport costs, which boosted wheat exports from India, especially Punjab and Central Provinces and the export of wheat went up by 300% from 1875 to 1900 (Davis, 2001:299).

In fact, during the time of famines in India, there was no government initiative to help to distribute food to the starving people. Following the policy of laissez-faire, the colonial government refused to provide any rescue package, while at the same time the Indian government mobilised resources to fund war in Afghanistan. Moreover, the so-called modernisation process during the colonial regime was slow and uneven sector and region wise (Siddiqui, 1989). Despite the limited economic changes it reinforced the pre-capitalist production relations in the economy. As a result, the total effect was in fact structural retrogression whereby the dynamic potential for accumulation and development otherwise associated with capitalism was systematically undermined. The encouragement of cultivation of export crops with the sole aim to benefit colonial regime, not the peasantry. The constant need for tribute and rising expenditure of colonial wars required constantly raising land revenue, which resulted in frequent occurrence of famines and large number of deaths in India (Davis, 2001; Siddiqui, 2014). The land revenue demand also became invariably ceased to adjust with fluctuations in output. British also imposed changes in land ownerships and property rights, which contributed to greater insecurity of peasantry and strengthened merchants-cum-money lenders and absentee landlords. Regions in eastern India suffered most adverse effect of colonial rule. As Bagchi (1984) argues that: "India ceased to be a leading manufacturing country of the pre-capitalist era and was reduced to the position of a supplier of agricultural goods and raw materials to the industrialising economies of the West, particularly Britain... The long process of de-industrialisation of India started with the catastrophic disappearance of cotton manufacturing from the list of exports of India..." (Bagchi, 1984:82).

Frequent occurrences of Famines gave opportunity to money lenders and landlords to uproot peasants and acquire more land under their control. The phenomenon of absentee landowners taking over the ownership title from the peasants and converting them into debt bondage and tenancy was never witnessed in the past in India. As a result, a new parasitic stratum of absentee landowners arose, while the amount of rural indebtedness increased rapidly (Siddiqui, 2014). As Davis (2001) argues that, "the forcible incorporation of smallholder production into commodity and financial circuits controlled by overseas tended to undermine traditional food security. Recent scholarship confirms that it was subsistence adversity (high taxes, chronic indebtedness, inadequate acreage...), not entrepreneurial opportunity that typically promoted the turn to cash crop cultivation. Rural capital in turn tended to be parasitic rather than productive as rich landowners redeployed fortunes that they built during the export booms into usury [exorbitant rents] and crop brokerage... commercialization went hand in hand with pauperization without any silver lining of technical change or agrarian capitalism" (Davis, 2001:289-90).

A similar situation was experienced in Egypt. For instance, during the Muhammad Ali regime between 1820 and 1840, Egypt attempted to modernise its economy through industrialisation. To finance it the country relied on external borrowings. The areas chosen to receive state subsidies were: the new strain of cotton seeds and credits to farmers who were willing to cultivate the new long strain cotton. The government was a monopoly buyer of raw cotton which encouraged nepotism and corruption. The government also built a number of textile industries, which focused on foreign markets and exports. Britain's manufacturers saw this as a potential threat. To undermine such Egyptian policies, Britain encouraged Turkey to attack Egypt. Muhammad Ali also experienced internal challenges and opposition to his policies and as a result Ali's was weakened (Cain, 2006). Finally, as Kevan Harris (2016:5) argues that: Eventually, "[in 1840] British

and Austrian navies cut off Egyptian supply lines and entered Alexandria's waters. Under duress, Ali signed series of capitulations which opened Egyptian markets, dismantled its manufacturing base and defanged its military. Egypt experienced rapid underdevelopment, becoming exporter of raw commodities and an importer of European manufacturers for the next century". Under pressure, Ali relented and granted free access to British manufactured products into Egyptian markets and European were also allowed to own land and resources in Egypt. As a result, Egypt was transferred into a supplier of raw materials rather than producers and exporter of industrial products (Siddiqui, 2015a; Cain, 2006). As Stavrianos (1981:221) argues that: "Under the protection of the capitulatory treaties [of war with Turkey and Britain] European speculator and adventurers were free to operate in Egypt outside the jurisdiction of the native courts and subject only to consular control. Many grew rich by smuggling opium and tobacco and invariably were protected by the foreign consuls... These foreigners, who were completely exempt from taxation, also served as agent in arranging for loans and contracts on extortionist terms. In 1873, for example, [Egyptian government] accepted a loan at the face value of £32 million, but after heavy commissions and discounts received only £9 million".

On the policy changes from mercantilism to overseas expansion that underlay British industrial supremacy, which Engels described as: "It was under the fostering wing of protection that the system of modern industry - production by steam-moved machinery-was hatched and developed in England during the last third of the 18th century. And, as if tariff protection as not sufficient, the wars against the French Revolution helped to secure England the monopoly of new industrial methods. For more than 20 years, English men-of-war [fighting ships] cut off the industrial rivals of England from their respective colonial markets, while they forcibly opened these markets to English commerce. The succession of South America colonies from the rule of their European mother countries, the conquest by England all French and Dutch colonies worth having, the progressive subjugation of India turned the people of all these immense territories into customer of English goods. England thus supplemented the protection she practised at home by free trade she forced upon her possible customers abroad; and thanks to this happy mixture of both systems, at the end of the war, in 1815, she found herself,... in possession of virtual monopoly fo the trade of the world" (Engels, 1990:522).

While in Britain the government fully supported the policies of modernisation and expansion of industries by promoting technology, raising productivity and by encouraging the efficient use of production during the early phase of industrialisation. Similar polices of active state support was applied later on in Germany and France to industrialise their countries. In all West European countries and later on in the US, Japan and South Korea the process industrialisation was fully supported by the state through tariff protection and active industrial policies. (List, 1966; Amsden, 2001) In contrast to this, in colonial India no such policies were adopted and no efforts were made to protect domestic industries. As a result, we found steady productivity decline with de-industrialisation and de-urbanisation in India and in other major Asian countries took place in the 18th and 19th centuries (Siddiqui, 1996; Baran, 1957).

3. Decline or economic convergence between 1820 and 1950?

The question arises why the developing countries economy began to decline in the early 19th Century? It is widely accepted that manufacturing sector plays an important role in raising overall productivity. Therefore, we need to examine what was their share of manufacturing output in the world's economy in the first quarter in the 19th century? How did it change during the colonial period? In the 1820 when Asia produced more than half of the world's output, then their economies were not yet fully colonised by the European powers. Thereafter, the industrial revolution and colonialism had created imbalanced unequal world.

Asia had dominated in term of GDP as late as 1800 and it was largely to two populous countries namely China and India. They together accounted for 50% of the world population and 50% of the world GDP. Europe, Russia and Japan were far less important economically and their share in the world output was far from being dominant. In 1820, the South accounted for 60% of the global GDP and 74% of the worlds' population. The per capita income of these countries was 85% of the global average of US$ 666 (in 1990 prices). China and India, the two largest economies, together accounted for nearly 50% global GDP and nearly 57% of the world's population (Maddison, 2003).

However, by the 1820, while the Asian population remained same but their share in the world GDP declined modestly. However, for the same period the European and Japanese share in the world GDP increased. Maddison estimation on population and output indicates that between 1820 and 1950 the 'West' share in the world population increased from one-fourth to one-third, while their share in the world output doubled from 37% to 73%, which was a game changer, and its consequences became far longer than initially envisaged (Maddison, 2003). For the same period (i.e. from 1820-1950) the 'South' share in the world population declined from three-fourth to two-third, but their share in the world GDP declined sharply from 63% to 27%. This transformation of the world economy happened in a short period of just 130 years. As a result their sharp decline, which led to the creation of new international division of labour, where the South was economically marginalised and the West managed to chart out a dominant positon for themselves (Anievas & Nisancioglu, 2015).

Angus Maddison (2003; 1998) has estimated the long term changes in the world population and world income for selected years. His estimates are based on a specific method where international prices have been calculated to facilitate cross-country comparisons. Maddison's method is widely used and seems to provide comprehensive source of historical statistics.

Table 1 provides evidence on the distribution of population and output in the world economy for selected years. The Table 1 is derived from Maddison data on GDP. Among the Asian countries China and India were prominent economies; the share of the GDP of Western Offshoots includes United States, Canada, Australia and New Zealand, and former USSR (ex-Soviet Union). As indicated in the Table 1 that the share of China and India together in world's output was nearly 50% in 1820, which declined sharply to 8.8% in 1950. In contrast to this, the share of Western Europe and Western Offshoots together in the world's output rose dramatically from 24.8% in 1820 to 56.9% in 1950.

Table 1. *Distribution of Population and GDP in the World Economy: 1600-1950 (in %)*

	World Population					World GDP				
	1600	1700	1820	1900	1950	1600	1700	1820	1900	1950
China	28.8	22.9	36.6	25.6	21.6	29.0	22.3	33.0	11.1	4.6
India	24.3	27.3	20.1	18.2	14.2	22.4	24.5	16.1	8.6	4.2
Africa	9.9	10.1	7.1	7.0	9.0	7.0	6.9	4.5	3.4	3.8
Latin America	1.5	2.0	2.1	4.1	6.5	1.1	1.7	2.2	3.6	7.8
Western Europe	13.3	13.5	12.8	14.9	12.1	19.8	21.8	22.9	34.2	26.2
Western Offshoots	3.0	3.1	3.5	5.5	7.0	0.3	0.2	1.9	17.6	30.7
Eastern Europe	3.3	3.1	3.5	4.5	3.5	2.8	3.1	3.6	5.2	3.5
Former USSR	3.7	4.4	5.3	8.0	7.1	3.4	4.4	5.4	7.8	9.6
Japan	3.3	4.5	3.0	2.8	3.3	2.9	4.1	3.0	2.6	3.0
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Maddison, 2003, 1998; Nayyar, 2013:13-15.

Maddison estimates are also broadly supported by other estimation. For example, Bairoch (1983) estimated GNP for selected years of 1750-1950 and divided the countries into two groups – first group included Asia, Africa and Latin America and in the second group included Europe, Japan and North America. His estimates are based in 1960 US$ prices and adjusted for differences in PPP of currencies. Bairoch found that the share of the former group in the world GDP was 69% in 1830, came down to 57.4% in 1860, which is higher than Maddison estimate of 63% in 1820 and 42.6% in 1870. Bairoch (1983) estimation for later

period that share of the developing countries further dropped to 38.3% in 1900 and 33.5% in 1913. This figure is closer to Maddison 32.6% in 1900 and 29.6% in 1913. Their share declined further to 30.2% in 1928 and 27.5% in 1950. This figure is very close to Maddison estimate of 29% in 1940 and 27.1% in 1950 (Maddison, 2003).

In short, the differences widened between developing and advanced economies from 1820 to 1950. The developing countries share in the world population declined from 65% to 52%, while their share in world GDP fell very substantially from 57% to merely 16% for the same period (Maddison, 2003). This was largely due to fall in the economies of China and India. Both countries share in world population fell from 56.7% to 35.8%, while their share in the world output fell dramatically from 49.1% to only 8.8% between 1820 and 1950 (see Table 1). This was catastrophic to both countries as these were the periods when they suffered European aggression and colonialism and famines.

Japan share of the world economy did not change much and remained stable between 3-4% with Meiji Restoration in 1868, the country was able to improve economic and political positions in the Asia. In the beginning of the 20th, Japan emerged as a regional power in Asia and also escaped from colonisation in the 19th century and thus was able to chart out independent economic policies as a sovereign country (Siddiqui, 2015b).

However, some studies have argued that Western Europe was already economically advanced and rich compared to Asia even before the industrial revolution. It is said that primarily due to technological progress (Landes, 1969). Kuznets study (1971) also supported such claim by mainly focusing that per capita product level in the developing countries in 1750s was lower than in the west Europe prior to industrialisation. It is further claimed that around 1750 income per capita in the west Europe was twice than in Asia. Contrary to these claims, Bairoch (1983) estimated the manufacturing sector in selected countries from 1750 to 1953. His work shows that in the 1750 the South (he described as the 'Third World') accounted for nearly three-fourths of the world's industrial output. Their share declined to two-thirds in 1800 and three-fifths in 1830. However, the drastic fall of the developing countries was noted from 60.5% in 1830 to 20.9% in 1880 and further decline to 7.5% in 1913, while the advanced economies (Bairoch included Europe, North America and Japan) share in the world industrial output increased from 39.5% in 1830 to 79.1% in 1880 and 92.5% 1913. Bairoch study took into account levels of industrialisation in terms of volume of manufacturing production per capita. He found that the ratio of manufacturing production per capita in the South fell from 7:8 in 1750 to 3:4 in 1800, to 1:4 in 1860, 1:8 in 1880, 1:17.5 in 1900 and 1:27.5 in 1930 (Bairoch, 1993:91).

The distribution of manufacturing output is shown in Table 2. The data indicate that in 1750 73%of the manufacturing output was produced in Asia, Africa and Latin America, while only 27% was then produced in Europe, North America and Japan. By 1830, the figure decline for the former group to 60.5%, while the share of the latter group rose to 39.5%. This trend continued and by 1953, the share of manufacturing output of Asia, Africa and Latin America in global output was merely 6.5%, while for Europe, North America and Japan it reached to 93.5% (as shown in Table 2).

Table 2. *Distribution of Manufacturing Production in the World Economy, 1750-1953 (in %)*

Year	Europe, North America and Japan	Asia, Africa and Latin America	World
1750	27.0	73.0	100
1800	32.3	67.7	100
1830	39.5	60.5	100
1860	63.4	36.6	100.
1880	79.1	20.9	100
1900	89.0	11.0	100
1913	92.5	7.5	100
1928	92.8	7.2	100
1938	92.8	7.2	100
1953	93.5	6.5	100

Source: Nayyar, 2013: 25.

Table 3 shows the GDP growth rates and also GDP per person for the periods of 1820 to 1950. These figures are based on Maddison estimates of GDP growth and GDP per person, in 1990 US dollar by regions and countries for selected years. For Western Europe the growth rates in 1820-1870 was 1.68% annually which rose to 2.2% then fell to 1.19% annually. Japan managed to raise GDP growth from 0.4% in 1820-1870 to 2.21% in 1913-1950, as shown in Table 3. However, the sharp decline was seen in the share of Asia in the world GDP for the same period. The growth performance for China and India for the periods of 1820-1870 to 1913-1950 was worst compared to other regions as shown in the Table 3. The share of Africa in the world growth rate was slightly higher for the later period. The growth performance within the South group of countries was not all similar. For example, in contrast to Asia, the share of Latin America in the world GDP growth from 1870 to 1950 had witnessed higher growth rates than even West Europe. It is because these countries were free and independently charted out their economic policies.

In the Western Europe the spread of industrial revolution also led to the growing demands for capitalist forms of organisation of production in factories employing workers and constant drive to raise productivity through division of labour and technology.

To understand levels of economic integration of the South with the North, we have to look at trade and investment. The data shows that exports from the South rose from $1.7 billion in 1900 to $7.9 billion in 1928 and again $15.4 billion in 1948, while at the same time, imports also rose from $1.5 billion to $6.5 billion and $14.9 billion respectively. Measure to liberalise trade in the colony led to rapid growth of their trade (i.e. both exports and imports) between 1870 and 1913 (Bagchi, 1984).

Table 3. *Growth Rates in the World Economy by Regions: 1820-1950 (in % per annum)*

	GDP			GDP per capita		
	1820-1870	1870-1913	1913-1950	1820-1870	1870-1913	1913-1950
The West						
West Europe	1.68	2.12	1.19	0.99	1.34	0.76
Western Offshoots	4.31	3.92	2.83	1.41	1.81	1.56
Eastern Europe	1.41	2.33	0.86	0.63	1.39	0.60
Former USSR	1.61	2.40	2.15	0.63	1.06	1.76
Japan	0.41	0.44	2.21	0.19	1.48	0.88
The South						
China	-0.37	0.56	0.04	-0.25	0.10	-0.56
India	0.38	0.97	0.23	0.00	0.54	-0.22
Africa	0.75	1.32	2.56	0.35	0.57	0.90
Latin America	1.22	3.52	3.39	-0.04	1.86	1.41

Source: Nayyar, 2013: 22; Maddison, 2003, 1998.

Moreover, a large proportion of trade from the South consisted of inter-sectoral trade, where primary commodities were exchanged for manufactured goods. Britain being highly advanced in manufactured goods and technology exported finished goods i.e. high value products, while imported raw materials i.e. low value commodities form its colonies in Asia and Africa. Another key element of the first period of globalisation is foreign capital investment. Here we find that stock of

foreign capital inflows into Asia, Africa and Latin America rose from $5.3 billion in 1870 to $11.3 billion in 1900, to $22.7 billion in 1914 and again to $24.7 billion in 1928 (Maddison, 2003).

Both patterns of trade and capital investment show that from the second half of the nineteenth century, the colonies were integrated as suppliers of raw materials and markets for finished goods from Britain. Finally, the destruction of manufacturing sectors in Asia paved the way for expansion of markets for British finished goods in Asia. As Nayyar (2013:32) summarised it: "Between 1830 and 1913, the share of Asia, Africa and Latin America in world of manufacturing production, attributable mostly to Asia, in particular China and India, collapsed from 60% to 7.5%, while the share of Europe, North America, and Japan rose form 40% to 92.5%, to stay at these levels until 1950. The industrialisation of Western Europe and the de-industrialisation of Asia during the 19th century were two sides of the same coin. It led to the Great Specialisation, which meant that Western Europe, followed by the United States, produced goods while Asia and Latin America produced primary commodities".

There was no reason why industrialisation and the development of capitalism would not have taken place a country like India if it was not colonised by Britain. For instance, the two most important industries, responsible for industrial development in the 19th century which took place with the discovery of steam, were namely railways and shipping. Prior to colonisation of Indian economy, we find not only textile industries were adversely affected, but also shipyards in Bombay. The shipyards were strangled by the British Registry Act, which place severe limitations on Indian shipping. There were no shortages of Indian technicians who would have learned the necessary skills at work and thus would have successfully improved their traditional skills. Karl Marx hoped that with the introduction of railways in India, they would become "truly the forerunner of modern industry". His optimism was based on the reasons because he viewed that trains could not operate "without introducing all those industrial processes necessary to meet the immediate and current wants of railway locomotive" (Baran 1957). However, India did not reap the benefits Marx was hoping because nearly all of railways requirements were manufactured in Britain. As a result of such international changes not only had wide impact on the economies of Asia, Africa and Latin America, but also transformed the economies of West Europe, North America and Japan. As Paul Baran (1957) pointed out that imperial power did not encourage a comprehensive industrialisation in their colonies and it was contrary to their economic and strategic interest to do so. Therefore according to him, the political and economic factors dominated by the colonialism and imperialism led to the creation of an unequal world.

4. Theoretical discussions

It is useful to revisit Adam Smith's work on the issue of global inequality during the late 18th century. For Adam Smith (1937) the asymmetry among levels of development was because of the dynamic benefits of the international trade accruing disproportionately. However, Smith took optimist view about the prospects of global growth under a regime of perfect economic liberty. He emphasised initial conditions of absolute cost advantage, which can lead for some regions to devote more resources to manufacturing and others to agriculture. Smith also said that most advanced countries were those who had more extensive division of labour. He further said that the potential for productivity increase was greater in industry than agriculture. Adam Smith suggested that the application of most appropriate policy measures by the government could lead a country to develop more rapidly and also if they maintain appropriate internal securities and productivity incentives are taken then it will advance the process of capital accumulation and human capital development (Smith, 1937:18).

In the mid-20th century again the question of global inequality was discussed and also how to find a solutions. It is being claimed that a rise in exports will

boosts growth and also induce productivity that would lead to lower prices and increased competitiveness. Another point being made is about the role of innovation and diffusion of technologies which is important as it can help industries in the developing countries in a number of ways such as to improve efficiency and productivity. Arthur Lewis (1954) said that in the long run economic performance is convergent and once surplus labour economy reaches its 'turning point', the wages will rise and profit rate will decline. To offset this scenario the capitalist either can import labour or export capital to other region where labour is surplus and can earn higher profits. Lewis argues that in a closed economy with the availability of surplus labour in the developing economies if the food sector productivity increases then it could slow down the growth of manufacturing sector. However, if an open economy, the rise in food sector productivity and will improve terms of trade of the exporters of the primary commodities. However, explaining structural dualism, Lewis model neglects the historical forces and the global power relations and also the role of global finance, capital flight, and industrial policy.

In contrast to Lewis model, the Prebisch-Singer focused on monopoly power in trade and the movements in the terms of trade. They argued that the secular deterioration in the terms of trade for the developing countries is due to the advanced economies monopoly power in trade (Toye & Toye, 2003). Later on some emphasised on the growth and better economic performance, as Becker *at al.,* (1990:S14) observes that, "Multiple steady states mean that history and luck are critical determination of a country's growth experience. In our formulation, initial levels of human capital and technology, and subsequent productivity and other stocks, determine whether a country grows richer over time or stagnates at low income levels. Many attempts to explain why some countries and continents have had the best economic performance during the past several centuries give too little attention to accident and good fortune". All these important factors are totally missing from the neo-classical model. In fact, the role of Atlantic slave trade, slavery and the colonialism in Asia and Africa is the origin of the structural asymmetries that perpetuate inequality (Bagchi, 1984). It seems the historical role associated with the slavery, colonialism and economic control of resources by the West has been neglected by the neoclassical economists.

In the 1980s, the lack of empirical evidence with neo-classical theory were seen when they failed to explain the causes behind the persistent in global inequality. Then the 'North-South' model was presented (where North was meant to be advanced and South as developing), which found the existing theories as inadequate to explain the causes of the global inequality. It was said that international trade based on competitive advantage rather than playing a positive role, having opposite affects with respect to achieving global equality. As Ronald Findlay (1984:222) argued, "I use the term "North-South" model to refer to any model in which there is some basic asymmetry related to the stage of development between two regions". He explained beyond the neo-classical paradigm of differences in factor endowments and tastes. It is important to note that the North-South model explicitly identified the historical events including colonialism and military adventurism as the mechanism that shaped these structural dissimilarities. Such an approach does present broader perspective and explain the issues more in depth and logically. Therefore, we need to adopt a heterodox approach beginning with economic history for a comprehensive explanation and understanding of the gap between advanced and developing countries (Perkins, 2006).

The neo-classical theory predicts that growth in the world trade would be able to reduce income disparities among the countries. Regarding international disparity we need to examine the neo-classical growth theories. The Solow model (1956) emphasises that when a poor country start out with lower levels of initial capital, returns to investment will be higher due to high marginal productivity of worker. Therefore, the rich countries will invest in poor countries, leading to a rise in capital generation. In short, Solow (1956) model predicts that with the adoption of

trade liberalisation the poor countries will catch on growth with the rich countries (Siwach, 2016).

5. Free trade

The neoclassical economists have emphasised that free trade is the only option through which global poverty and inequality between countries could be removed. Trade and economic liberalisation have become a new mantra of the 21st century. The success of the East Asian economies and more recently Chinese upsurge in economic growth is largely said to be due to export-led policies and market reforms measures taken initially in 1978 (Siddiqui, 2009). However, a number of economists have disagreed with such propositions and according to them both liberalisation of the economy and state intervention to promote domestic businesses has had such positive outcomes also known as Chinese miracle (Stiglitz, 1989; Siddiqui, 2016a; Rodrik, 2011).

Economic historians have concluded that free trade imposed by Europeans in the colonies semi-colonies have brought dramatic socio-economic changes both at national and international levels and facilitated a new form of international division of labour. The nationalists argument in Asian and African countries that the imperatives of 'free trade', whether imposed on China by gun boat or as on India by outright occupation, had a devastating effect. Longstanding Chinese business clans were important in spreading trade across South East Asia as bourgeoisie capitalists in Hamburg, London and New York. European domination over the worlds' economy and people became obvious by the end of the 19th century a large part of the South and humanity had been converted into long term losers in the scramble for resources and dignity (Cain, 2006). However, to understand the whole truth of the 'free trade', we must analyse the experiences of the developing countries, especially of the 19th and first-half of the 20th century, when the present developing countries were European colonies and semi-colonies and 'free trade' policy was imposed on them (Siddiqui, 2018b).

Britain imposed tariff duties into its domestic markets on imports of textiles cloths from India, while no such protection was provided to Indian textiles producers in India in the early 19th century. As a result, manufacturing collapsed and the urban population fell in India. For example, the population of Dacca, which was once great centre of muslin production, fell by 90% with in a very short period. Therefore, instead of exporter of textile and other industrial products, India began importing British textiles, and India's export share of world markets fell from 27% in 1815 to 2% in 1840 (Maddison, 1998).

Indian manufacturing in the early 19th century had the capability of successfully challenging the British textile, which was then the leading sector of the then British economy "take-off" into industrialisation (Siddiqui, 1990). The British government extended protection to their textile producers against imported textiles from India. For example, by 1814, Britain placed tariff of 70% to 80% on all imported textiles from India, as a result the Indian textiles became un-competitive price wise in the British market i.e. became very expansive and hence out of the market. At the same time, colonial government did not introduce any tariff to protect Indian textiles, leading to flooding of British textiles into Indian markets. Because there were no tariffs against the export of raw cotton from India, hence as a result there was a dramatic rise of exports of raw cotton from India. The East India Company (i.e. the Company was exclusively owned by British shareholders) traders simply switched from buying Indian textiles to buying raw cotton and sell it to British markets. Despite having of locally available raw materials such as cotton, long experience and cheap labour, India no longer produced cotton textile products, but rather exported raw cotton and imported cotton textiles from Britain. The cotton products imported from Brittan increased from just 1 million yards in 1814 to 53 million yards in 1844. And also the number of Indian textile workers (spinners and weaver) fell from 6.3 million to only 2.4 million between 1800 and 1911 (Bagchi, 1984).

Those countries which were able to escape direct colonisation, but still were not protected from the adverse effects of free trade treaties. In fact, such treaties then encouraged and made it profitable to produce and export raw materials. Low tariffs along with fall in shipping costs undermined the development of indigenous industries in Asia and Latin America to compete with Britain. For example, Egypt and Turkey both under British pressure drastically reduced import restrictions. As a result, Turkey's textile imports rose dramatically after Britain signed a treaty with Turkey in 1838, according to which Turkey was forced to open up its economy and imports duties were brought down to maximum 5% (Rodrik, 2011).

It is assumed that trade liberalisation will lead to income convergence between countries. Garima Siwach's (2016) studied the effect of liberalisation on per capita income of 19 developing countries, which opened up their economies in the 1980s and 1990s. The study compared the trade effects on convergence rates by looking at the patterns of pre- and post-liberalisation. Such study of growth and convergence has a significant impact on long-term growth policies of an economy and also provides us implications for poverty, which is the most important policy the developing is seeking to address. Siwach (2016:118) concludes that "there is no significant change in convergence that can be attributed to trade liberalisation. Through a first difference analysis that estimates convergence rates between trade groups before and after liberalisation, we find no significant change in convergence for developing countries towards their major partners of trade. The results are robust when large country biases are taken care of as well". Moreover, the convergence theory also emphasises the flow of technology from the rich to the poor countries. There is no doubt that open trade leads to increased knowledge dissemination but this process needs to be accompanied by domestic polices such as infrastructure, education and institutional settings. As a number of studies have pointed out that trade liberalisation fosters spill over effects and raise productivity and income convergence in those countries that had invested in human capital including higher levels of literacy rates (Stiglitz & Charlton, 2006; Siddiqui, 2016b).

Another study by Lant Pritchett argued that the gap between the rich countries such as the United States, UK, Germany and Japan and the world's poorest states rose dramatically between 1870 and 1960, from a per capita income ratio of about nine in 1870 to more than fifty in 1960. However, he further said that since 1980s few poor countries have achieved higher growth rates than the rich countries; that is, they were converging rather than diverging. Pritchett (1996) estimated the time it would take for the poor countries, such as India, to become equal as rich ones. On India he said: "A few developing countries were actually converging, that is, they were growing faster than the United States. When are these lucky convergers going to overtake the United States? India, for example, registered an annual average growth rate of 3 percent between 1980 and 1993. If India could sustain this pace for another 100 years, its income would reach the level of high-income countries today. And, if India can sustain this growth differential for 377 years, my great-great-great-great-great-great-great-great-great-great-great-grandchildren will be alive to see India's income level converge" (Pritchett, 1996:42).

Experiences show that no economy has grown at anywhere near an annual rate of 3 percent for 100 years, much less 377, this seems unlikely indeed. Even China, with its astonishing recent growth rates, which have lowdown since 2008 global financial crisis, will not be able to sustain such a rate for more than a century. Most poor countries are not converging, the two largest ones, namely China and India have experienced rapid growth rates and economic changes in recent decades. Incomes for hundreds of millions of Chinese and Indians have risen dramatically, and because these nations have a combined population of 2.7 billion i.e. 37.5% of the world's population. It appears that they count for much more than most nations in terms of national income. They alone account for the convergence and if we excluded them, there seems to be little evidence of convergence between rich and poor countries (Siddiqui, 2015c; Pritchett, 1996).

This means that developing countries should grow at faster rate than the advanced economies so that the inter-country inequality could decline over a period of time. It is said that developing countries have an advantage as they can exploit the already existing technology as they do not have to bear the cost of research as others have absorbed the costs (Perkins, 2006). It is also claimed that diminishing returns to factor inputs meaning that capital returns are higher in the developing countries and there is a large number of rural workers who are engaged in low productivity agriculture sector could be moved to higher productivity manufacturing and service sectors. The neo-classical economists put emphasis on trade relationships upon the assumptions that each participant in a market had sufficient resources to withdraw from the market if they did not agree on the prices. However, in this case, indebted peasantry had no such options i.e. been unable to withdraw from the colonial system (Alam, 1994).

Karl Marx came to conclusion that without protective tariffs against England, there could be no economic development of Ireland. His earlier views on the role of 'free trade' were changed, as he wrote, "The system of protection was an artificial means of manufacturing manufacturers of expropriating independent labourers, of capitalising the natural means of production and subsistence, of forcibly abbreviating the transition from the medieval to modern mode of production" (Marx, 1992:708). In the late 1600s, Ireland, a British colony, was about to develop woollen industries. It was due to a number of factors including flow of skilled catholic immigrants from the Continent and availability of raw materials. However, English woollen producers saw this as a threat to their own woollen industry and they successfully petition the English king to prohibit all exports of woollen from Ireland in 1699.

The economic development seems to have strong association with industrialisation i.e. with increasing share of country's output and labour force involved in industrial sector. Wages also seems to be higher in the industrial sector than the agriculture sector because of the application of technology are greater in the former. It is assumed that with the expansion of industrial sector, the contribution of agriculture sector to the GDP both in terms of its share output and employment declines. Also it is said that surplus labour from agriculture would move to higher productivity industrial sector. As Amsden (2001:2) argues, "economic development is a process of moving from a set of assets based on primary products, exploited by unskilled labour, to a set of assets based on knowledge, exploited by skilled labour". Also the experiences from the successful East Asian economies tell us that industrialisation has played an important role in reducing burden from agriculture and also it led to changes in their patterns of trade (Siddiqui, 2012). A modernised economy with expanding industrial sector is expected to increase the proportion of exports of manufacturing goods, while at the same time reduce the exports of primary commodities of their total exports. It will be replaced by greater diversification of the economy and exports will increase the proportion of manufacturing goods and services. It would also mean exports will consist of increased proportion of higher value products.

This is achieved by the consistent government efforts to increase investment in education, skills and training of the labour force. Also require increased investment in infrastructure such as roads, ports etc. I mean to say that changes in the policies are needed. Barriers to change both internal and external must be dealt so that targeted polices could be achieved (Stiglitz & Charlton, 2006). And also the gains in recent decades by the developing countries are taking place due to outsourcing of industrial production by the MNCs aimed at exploiting of low wages in these countries.

The shift of manufacturing industries in recent decades from the advanced economies to the developing countries has made a huge impact and structural change in the economies of especially some East Asian countries. Despite the shift of industry to the south, the basic conditions of modernisation continue to hold almost monopoly in the development of most advance technology and new

products by the advanced economies led by largely their global companies. This is manifested in the inability of developing countries except China to catch up economically with the advanced economies. For example, from 1970 to 1989, the average annual per capita GDP of the developing countries, excluding China, was only 6% of the per capita GDP of the G7 countries (US, Japan, Germany, UK, France, Canada and Italy). Further for the period of 1990 to 2013, slightly declined to 5.6%. Moreover, for the forty-eight least advanced economies, the average annual per capita GDP as a share of that of G7 declined for the same period from 1.5% to only 1.1% for the same period (UNIDO, 2016).

In the 1980, the share of world's industrial employment of developing countries was 52%, which had risen to 83% by 2013. The share of worldwide inflows of foreign capital (i.e. FDI) into the developing countries also increased from 33% in 2000 to 51% in 2010 and further to 61% by 2014. (IMF, 2016) However, if China is included in the developing countries, the average annual per capita income of developing countries as a percentage of that G7 rises from 4.7% in the periods of 1970-1989 to 5.5% in 1990-2014 (IMF, 2016).

Capitalism since mid-20th century could be categorised as following: The golden age of capitalism 1948-73; transition 1973-80; and neoliberalism 1980-? Capitalism at this stage of development requires further integration of global market and production activities to increase accumulation and by exploiting especially those regions which are less advanced or so far were not its domain. Globalisation appears to be the process of greater degree of economic activities among countries (Siddiqui, 1998). It includes of increased levels of goods and capital movements via international flow of goods and services. It also means of greater openness of the national markets and reliance on trade to achieve economic prosperity. Attempts were made to integrate economies could be divided into three periods.

The first period (1870-1914) when tariffs were lowered among countries as a result of colonisation and reduction in transport costs. During this period rapid expansion of railways and telegraphs took place. This period also witnessed in an average increase in GDP growth of only 0.5% per annum. This was driven under the leadership and control of European countries and their businesses, as they increased their ownerships of resources and influence, to a very high degree compared to the past. During the first phase of globalisation only few European, North America and the 'New World' (white settlements colonies such as Argentina, Canada, Australia and New Zealand showed convergence among themselves, while the income difference between them and the rest of the developing countries were widened sharply. The most important thing occurred was the international division of labour, where colonial powers became the exporter of capital and technology, while the colonised countries became specialised in the production and supplier of primary commodities.

During the first period both public and private investment has been meagre in the colonies, especially in agricultural sector such as in irrigation and technological progress to raise yields and raise land productivity. In India for example, Sivasubramonian (1960) and Blyn (1966) both in separate studies have found that the rate of increase of total agricultural output for the first half the 20th century was negligible. India had carried out three distinct policy measures to maintain income deflation on the Indian population. The first policy imposed was very high land rent charges, which gave phenomenon of so-called 'drain surplus' and the second was a deliberate attempt to undermine Indian manufacturing i.e. destruction of handicraft production which is known as de-industrialisation of the Indian economy and third by the import of industrial goods from Britain (Siddiqui, 1996).

The second period (1945-1980) witnessed further decline in transport costs and increase in productivity in the West. International trade rose as the Western economies were progressively opened for trade and capital investment. We also find that the colonies became independent and assigned greater role for the state in the managing of the economy and undertook a policy domestic industrialisation,

with little attention was paid about the sources of financing. As a result, the economic growth increased, but soon faced financial crisis, while at the same time population was rising at higher rate than the pre-colonial period due to the greater availability of medicine and food. Growth of agricultural output increased much faster compared to pre-independent period. The state undertook a number of measures to protect farmers such as protecting them from world's price fluctuations, provided subsidies on electricity, fertilizers, credits, public funds to research on the development of new seeds and also assured remunerative prices through public procurement of certain crops.

The third period (1980 – beyond) witnessed increase integration of the global economy not only among the Western countries but also developing countries joining in via increased degree of trade and foreign capital investment. However, in the 1980s and 1990s most of the developing countries had to adopt neoliberal reforms imposed by the international financial institution such as the World Bank and IMF. These reforms were known as 'structural adjustment programmes' (SAP) due to their heavy borrowings in the 1980s and subsequently their inability to repay back loans, which resulted in debt crisis and macroeconomic imbalances. The adoption of SAP also included opening up their domestic markets for foreign goods, technology and capital. Some of the developing countries saw rapid structural change in their economies and increased production and export of manufacturing goods, especially the East Asian countries. However, for most of the developing countries the neoliberalism, which SAP is part of it, As Venugopal (2015) concludes that:

> "This version of neoliberalism has a strong family resemblance to dependency theory in identifying logic of unequal power relations, blocked development and adverse incorporation in the global economy. Firstly, the very nature and dynamics of structural adjustment and conditionality-based development aid reflects and reproduces the deeply unequal and coercive relationship between rich and poor countries. Secondly it requires poor countries to implement self-destructive economic policies, including open door trade and investment regimes that results in de-industrialization and vulnerability to speculative financial flows. Thirdly, it pushes developing countries backwards in development to a colonial-era structure of primary commodity exports, locking them into a vulnerable and dependent position of enduring weakness" (Venugopal, 2015:176).

6. Globalisation and economic liberalism

The neoliberal policy which is characterised by the hegemony of international financial capital, where state acts as an entity that apparently stands exclusively with the interest of the corporate interests. Globalisation and neoliberalism seems aims to limit the developmental policy options of the developing countries, which are pushed aggressively by WTO and fully backed by the advanced economies. Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement has been in force since 1995 and it imposes a global standards for protecting and enforcing all forms of intellectual property rights (IPR), including those for patents. The TRIPS Agreement requires WTO Members to provide protection for a minimum term of 20 years for any invention for a product or process. Prior to TRIPS, countries provided only process and not product patents. Product patents provide for absolute protection of the product, whereas process patents provide protection in respect of the technology and the process or method of manufacture.

The Uruguay Round negotiations in 1994 produced the Agreement on Trade-Related Investment Measures (TRIMs). It aims to bring down investment barriers. The agreement supposed to ensure national treatment by removing domestic content provisions. The General Agreement on Trade in Services (GATS) was signed in 1994. The agreement intends to remove any restrictions and internal government regulations in the areas of service delivery that are considered to "barriers to trade". The strategy, for instance, is to transform education into a tradable commodity. GATS educational agenda has the potential to further

privatization to a higher level in education and also opening the door for international competition. The developing countries will be adversely affected in terms of their sovereignty on cultural policy and the quality and accessibility of their public education systems in general (Stiglitz & Charlton, 2006, Wade, 2003).

There three policy measures are: namely intellectual property rights (TRIPS), on investment measures (TRIMS), and trade in services (GATS) will limit the authority of the governments in the Developing countries. In fact, these regulations will expand the options of global companies operating in the developing countries. Most of the global companies are originated in the advance economies, which will benefit from the global market-opening by technology rent seeking. The structural change in the advanced economies of the last three decades, where the services began to dominate and hence to protect their interest became vital for the advance economies. The multilateral agreements pushed by the Uruguay Round will prevent the developing countries from pursuing any kinds of industrialisation or economic diversification policies as adopted by the East Asian countries (Siddiqui, 2015a). It is clear the in the global political economy where bargain and deals are struck where both sides are equally strong. Here it is not the case as the developing countries are the weak participants during the negotiations.

The advanced economies is the net producers of patentable knowledge, while is the Developing countries is a net consumer, meaning the rent will flow from Developing countries to advanced economies. The proponents of TRIPS argue that higher profits acquired by the companies would lead to more investment in technology and innovation and ultimately consumers in the developing countries will benefit. However, such arguments ignore that investment and innovations depends on many factors including competitive environments and profits. Past experiences show that this is not always the case. Despite the fact that some assurances given to address humanitarian concerns in health areas, but no firm commitments on technology transfer and industrialisation in the developing countries. The GATS emphasises on trade in services including banks, public utilities such drinking water, sanitation, and education and so on. GATS require 'national treatment', meaning all service companies must be treated as domestic companies. It means that developing countries will not be able to protect their domestic companies against well resources global companies.

It appears that in the recent years the imposition of neoliberal economic reforms in the developing countries, especially highly indebted one, the withdrawal of state in the developing countries would make agriculture an economically unviable occupation for the large number of farmers, very different from the immediate post-colonial policies.

As a result of two centuries of European control and domination of the South by 1950 their total GDP share had shrunk to only 27%, while they still accounted for more than two-thirds of the world's population. In 1950s, China and India together produced only 9% of the global GDP, with more than two-third of the world's population. For instance, at the time of independence in 1947, Indian manufacturing accounted for only 7% of its GDP and only 2% of the labour force was employed in industries. In contrast, the advanced economies share of the global GDP rose rapid by 1950 and reached to more than double to nearly 70%, with a share of population on less than 28% (Siddiqui, 2010).

The question arises did trade liberalisation played a role in reducing the inter-country and international inequality? To understand this, we must look to what extent trade performance is linked to their growth performance. If we assume that growth in the world trade is an important determinant of trade performance then there is a need to analyse the cross country patterns of trade performance in order to understand fully the linkage to changes in inter-country and international inequality.

The multilateral institutions such as IMF, World Bank and WTO have claimed that trade stimulate growth. Such conventional wisdom finds support among the neoclassical economists that trade promotes specialisation and allows realisation of

economies of scale due to increasing market size and facilitates global diffusion of technology.

However, there is no clear empirical evidence to this theoretical proposition. Some studies have tried to test whether a higher trade GDP ratio is associated with a higher income per capita, but no consistent association is being found. The problem is that those countries with a large population of trade to GDP are also happened to be advanced economies (Ghose, 2004:238). Some other studies who have examined the relationship between trade liberalisation and growth, found that the indices to openness are difficult because trade openness does not always lead to more trade but also important factors are: trade promotion such as marketing and demands for exports (Edwards, 1998).

A more comprehensive way to look at trade-GDP ratio and an increase in this ratio is interpreted as improvement in trade performance and vis versa. Then the question arises should we look at the growth of GDP or the growth of per capita GDP. The standard textbook approach would be trade affects change in per capita GDP. The increased trade raises factor productivity and the standard trade theory assumes full employment so that a rise in trade can affect growth only through factor reallocation. However, full employment does not exist in the developing countries. Once we withdraw this assumption then increased trade would lead to increase investment as openness to encourage capital flows. But it does not necessarily mean all capitals would be invested but some might be used in speculation and can encourage capital flight, which could have adverse effect on domestic investment.

The adoption of trade liberalisation and the issue of trade performance, Ghose (2004:240-41) concluded, "serious analysis of the effect of trade liberalisation on trade performance, we should need to construct a measure of change in openness over the period for each of the countries and then study the relationship between this change and the change in trade performance…however, construction of appropriate indices of openness has proved extremely difficult, and much research is required…[in] the mid-1980s virtually all countries of the world implemented trade liberalisation policies. However, neither the initial trade regime nor the liberalisation policies were the same across countries…The effect of liberalisation on trade performance has been quite varied across countries…trade liberalisation had a more favourable effect on the growth performance of populous countries than on that of small countries".

7. Catching up?

The whole policies measures must be seen from the past developmental experience. In a similar situation in the past around mid-19th century when Britain manufacturers faced stiff competition from the then established companies of Holland. As then Friedrich List observed: "It is very clever common device that when anyone has attained the submit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him… Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power…can do nothing wiser than to throw away ladders of her greatness, to preach to other nations the benefits of free trade …" (List, 1966:368).

The GDP per capita in developing countries rose from $209 in 1970 to $947, and $3715 in 2014, while as proportion of GDP per capita in the West decreased from 7.3% in 1970 to 4.9% in 1990, but increased to 9.4% in 2014. In fact, in the last four decades, GDP per capita in the developing countries as a ratio of that in industrialised countries rose from 1:13.6 in the 1970 to 1:10.6 in 2014. The population in the developing countries increased to more than double from 2.7 billion in 1970 to 5.7 billion in 2014 (IMF, 2016; Siddiqui, 2016c).

The growth rates of the advanced and developing economies from 1990 to 2015. The figure shows that between 2002 and 2007 both advanced and developing economies accelerated. But the growth sharply declined after the global financial

crisis of 2008. Thereafter, the economies of both groups rose briefly in 2010, but soon witnessed slow down again. In the early 2000s the US economy experienced rapid growth, which was driven by availability of consumer debt, primarily housing markets and other consumer durables. It was driven by finance bubble, when the government lifted on bank regulation and they were encouraged to be innovative. The US economic boom in the early 2000s boosted demands for goods and capital from abroad. However, such situation could not continue forever. The boom of the mid-2000s initiated by the finance only was able to build unsustainable bubble, while at the same time wages were stagnated and inequality widened. This led to the realisation problems i.e. what Keynes called lack of aggregate demand (Siddiqui, 2017b).

After the global financial crisis most of the advanced economies followed expansionary fiscal policies, but this was discarded as soon as the economy began to pick up and the crisis thought to have been managed. And again the advanced economies reversed back to neoliberal dogma that monetary policy should a preferred instrument and the reduction in interest rates was expected to restore the confidence in the economy and encourage investment and growth. Moreover, the monetary policy tend to be rather limited, especially focused on 'quantitative easing' and claimed that zero interest rates would provide cheap credits to investors, but same time purchasing power to those sections whose marginal propensity to consumption is known to be higher, were denied with welfare cuts and wages stagnation. In developing countries the credit bubbles were created in response to 2008 crisis and declining demands for their exports. The credits to GDP ratio and non-performing loans have risen sharply since 2010 global economic crisis.

Figure 1 shows the share of advanced economies in global GDP at current US dollar prices. The data shows that share of advanced economies have declined from 83% in 1988 to 60% in 2016, which is a substantial decline. First of all, this has occurred in a relatively short period of 2002 to 2014.

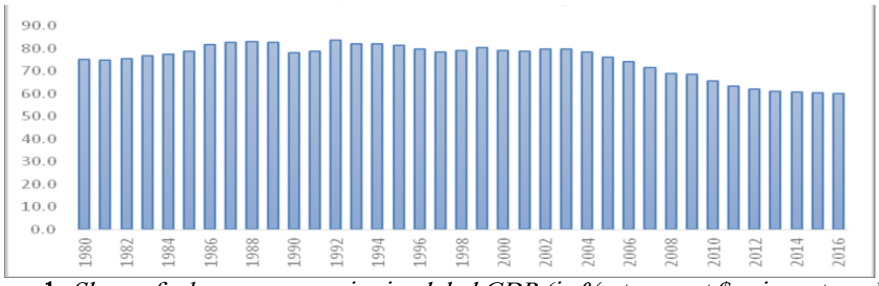

Figure 1. *Share of advance economies in global GDP (in % at current $ prices at market exchange rates)*

Source: IMF, World Economic Outlook, 2016, IMF database. (accessed on 25 June 2017).

Figure 2 indicates annual GDP growth in the developed and developing economies from 1990. The period from 2002 to 2007 does show acceleration of growth across economies, but that came to end in the collapse of 2008-09, and since then GDP growth rates have been similar to those of the 1990s.

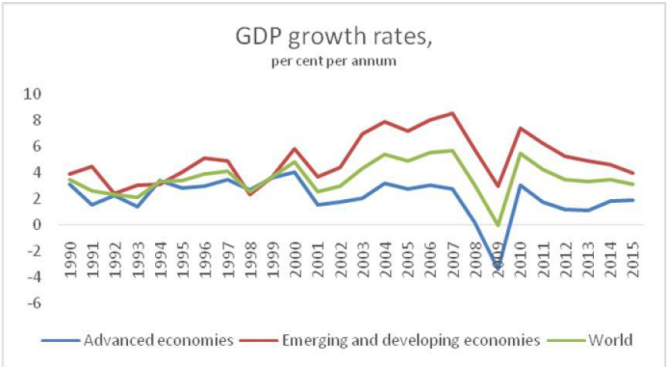

Figure 2. *GDP Growth Rates from 1990 to 2015.*
Source: IMF World Economic Outlook April 2016 database. (accessed on 22 June 2017).

Table 4 and 5 show the per capita GDP growth of the developed and developing economies from 1978 to 2015. Here again we find China is on the top of the list with average annual growth of 7.4% and the growth compared to US is estimated to be 461%.

Table 4. *Per Capita GDP – fastest growing economies from 1978 to 2015*

Rank	Country	Total increase 1978-2015	1978 – 2015* Average annual growth	Growth compared to United States
1	China	1,396%	7.4%	461%
2	Myanmar	660%	5.2%	326%
3	South Korea	632%	5.1%	319%
4	Taiwan	566%	4.8%	299%
5	Vietnam	484%	4.4%	272%
6	Thailand	443%	4.1%	256%
7	India	431%	4.0%	251%
8	Sri Lanka	430%	4.0%	251%
9	Singapore	418%	3.9%	246%
10	Cambodia	394%	3.8%	235%
11	Hong Kong	382%	3.7%	230%
12	Malaysia	369%	3.6%	224%
13	Indonesia	346%	3.4%	213%
14	Chile	330%	3.3%	204%
15	Mozambique	293%	2.9%	184%
For comparison				
39	United States	180%	1.6%	100%

Note: *Calculated in Parity Purchasing Powers of 2011 converted to 2014 pirces.
Source: Calcualted from the Conference Board Total Economy Database 2015; World Bank, 2016.

Table 5. *Total per capita GDP growth in advanced economies, 1978-2015*

Country	Total growth 1978-2015	Annual average growth	Growth rate as % of China	1978 – per capita GDP as % of China	2015 – Per capita GDP as % of China
Japan	182%	1.6%	22%	2,078%	275%
Germany	177%	1.6%	21%	2,625%	340%
UK	189%	1.7%	23%	2,123%	298%
France	156%	1.2%	16%	2,465%	286%
US	180%	1.6%	22%	3,010%	404%
China	1,396%	7.4%	-	-	-

Note: * Calculated in Parity Purchasing Powers of 2011 converted to 2014 pirces.
Source: Calcualted from the Conference Board Total Economy Database 2015; World Bank, 2016.

Figure 3 shows the changing share of the GDP of the major developing regions. Here China is plotted separately to show its growing economic share. China's share in the global GDP rose from 3% to 15% between 2005 and 2016. This was time when China's share of the global GDP at market exchange rate rose rapidly to ten percentage points. In fact, such a rapid change in China's share alone explains 87% of the entire decline of the advanced economies for the period of last thirty-five years. Figure 3indicates the changes in share largest Asian developing economies excluding China. We find India's share in the global GDP has been the largest and its share increased from 1.8% in 2005 to 3% in 2015. However, it is much less than

China, whose share is three times of India's aggregate share. Indonesia and South Koreas share in the global GDP has increased (Siddiqui, 2014).

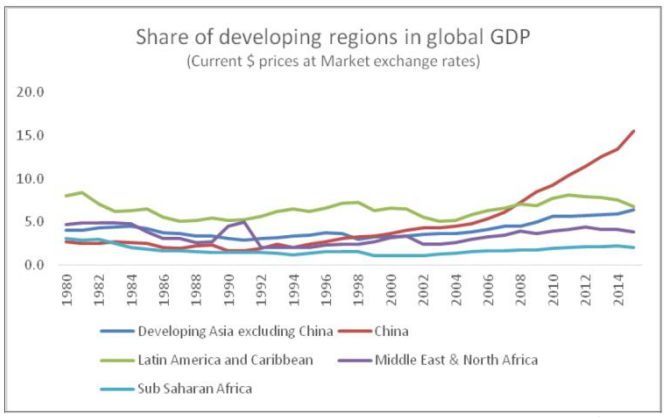

Figure 3. *Share of developing regions in global GDP (Current US $ prices at market exchange rates)*

Source: IMF, World Economic Outlook, 2016, IMF database. (Accessed on 22 June 2017).

However, if we exclude China then the share change of other regions provide us a different picture. For example, the Latin American region in the 1980s had experienced a decline, which is also known as lost decade. The region's economies recovered in the 1990s and early 2000s. Their share in global GDP rose by 5% in 2003 to 8% in 2011, but thereafter again began to decline. The Middle East countries had experienced a rise in the share due to largely high oil prices, but for the last 2 years due to collapse in oil prices, its share in the global GDP has fallen. The sub-Saharan Africa had a long period of stagnation and economic decline i.e. from 1980 to 2002 and since then their share in the global GDP has slightly gone up to 1.1% in 2002 to 2% in 2015. However, its share in global GDP is still below compared to its 1980s share of 3%. In short, among the developing regions, only Asia's share to global GDP is rising. Due to on-going global recession in the advance economies, the BRICS countries too are facing slowing down economic growth rates and declining their export markets (Siddiqui, 2016c).

Soon after independence the developing countries saw that industrialisation in imperative towards removal of backwardness, to increase productivity and to diversifying of its economy. For this task nearly all the developing countries adopted import substitution policies in the manufacturing sector. International trade increased after the 1950 in the developing countries.

The exports from the developing countries rose from $20 billion in 1950 to $600 in 1980 and nearly $6400 billion in 2010, but imports rose rapidly as well. The developing countries share in the world exports was 34% in 1950, fell to 19% in 1970, 24.2% in 1990, rose to 31.9% in 2000 and 42% in 2010, while their share of imports in the world economy was 29.6%, 18.5%, 23.1%, 28.8% and 38.9% respectively. The sharp rise since 2000 appears to be due to China's rising trade (UNCTAD, 2016).

The volume of international trade in goods has increased sharply for the last 10 years (Figure 4a). The developing countries as a group have almost doubled the volumes of trade in goods since 2009. But import volumes have been growing relatively more than export volumes for developing countries. However, the opposite has happened in regard to developed countries. The relatively larger increase in the volumes of imports can be explained by the increase in consumer demand in developing countries. Growth in trade volumes has slowed down substantially in the last few years, especially in regard to developing countries. In 2015, volume growth was negative in the case of China, both in relation to imports and exports (Figure 4b).

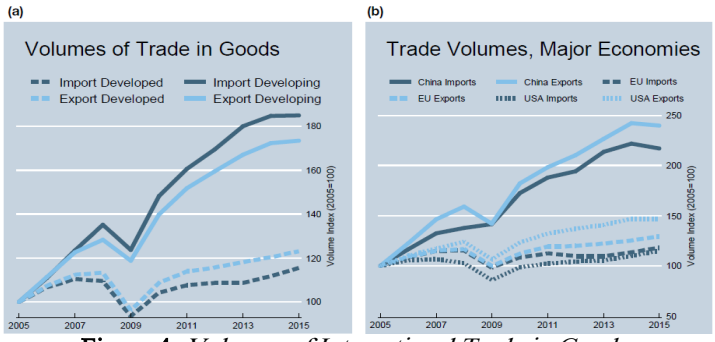

Figure 4. *Volumes of International Trade in Goods*
Source: UNCTAD secretariat calculations based on UNCTADStat data. Key Statistics and Trends in International Trade, 2016. Accessed on 20 April 2018. [Retrieved from].

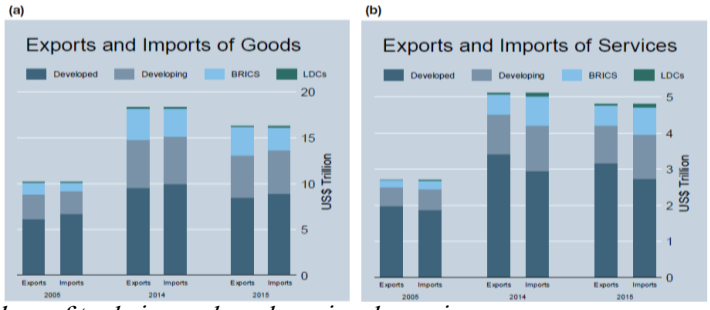

Figure 5: *Values of trade in goods and services by region*
Source: UNCTAD secretariat calculations based on UNCTADStat data. Key Statistics and Trends in International Trade, 2016. Accessed on 20 April 2018. [Retrieved from].

Developed countries' relative importance as suppliers in international markets has declined, but they still account for about half of the value of exports of goods and about two thirds of exports of services. In 2015 developed countries' exports of goods was about US $8 trillion (Figure 5a), while that of services added up to about $3 trillion (Figure 5b). In 2015, developing countries' trade sum up to about $8 trillion in regard to goods and about US$2 trillion in regard to services. In 2015 BRICS exported about US$3 trillion in goods and about US$500 billion in services. Less developed countries contribution to world trade remains minimal, although some increases in exports and imports of these countries have been recorded over the past decade (UNCTAD, 2016).

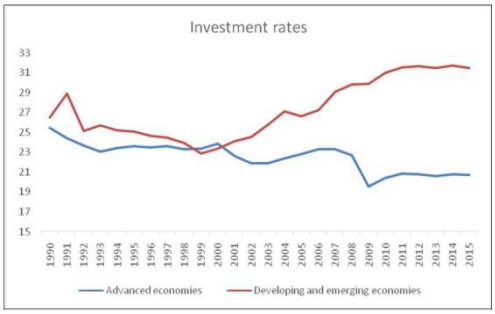

Figure 6. *Investment Rates of the Advanced and Developing Economies, 1990 -2015*
Source: IMF Economic World Outlook, 2016. April database (accessed on 22 June 2017).

As the Figure 6 indicates, the investment in the developing countries increased significantly since 2000s. Investment rose rapidly in a large developing economies like China, gave impetus to other economies. However, crisis and stagnation in the West stagnated global demands did not rise and adversely affected the developing economies. Once due to global financial crisis the supply liquidity dried up as capital rushed back to the advanced economies.

The manufacturing employment fell in the advanced economies between 1970 and 2013. (See Figure 7) Across the developing countries, there were different experiences. For instance, the employment in manufacturing sector rose from 9.5 % in 1970-74 to 19.4% of the total employment in 2010-13 and in the south Asia the manufacturing rose from 9.0% to 12.2% for the same period. In contrast to this, in Latin America and Africa it fell during the same period.

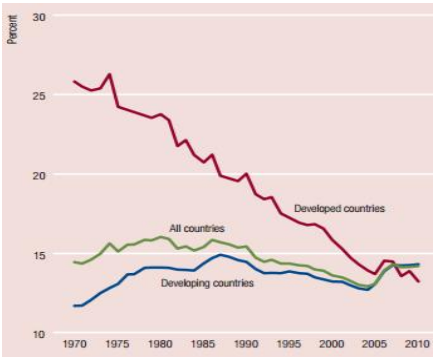

Figure 7. *Manufacturing Employment share of total employment, worldwide, 1970-2010*
Source: [Retrieved from]. Accessed on 16 June 2017.

After 1950s there was a wide range of debate about the industrial policies, whether the state should play a leading role or it should be left on market forces. Since 1990 most of the developing countries have adopted for greater role of market forces. The neoclassical economists (i.e. also known as mainstream) opposed the state intervention (Little, *et al.,* 1970). They argued that state intervention in the market for high costs, inefficiency and lower growth rates such as India and other Latin American countries. They opposed import substitution policies and proposed openness, increased reliance on market forces and competition was seen to achieve efficiency and higher growth. To achieve it trade and outwards-looking policies were seen only option left to the developing countries. Despite the fact, the past colonial policy of free trade and excessive reliance on market forces had disastrous consequences, which initiated de-industrialisation during the second half of the 19th century. Moreover, after the 1950s the developing countries adopted protection policy towards domestic industries and import substitution policies resulted increase in industries and growth in manufacturing output, which was far better performance then seen in previous decades (Little, *et al.,* 1970).

8. Conclusion

The study finds that during the last three decades, there have been huge economic changes taking place globally and structural changes and patterns of trade have also taken place both in advance and developing countries. However, some developing countries have achieved faster growth rates than the advanced economies, particularly China, India, Indonesia and Turkey. However, they constitute a small numbers among the developing countries, but accounts large number of its population. In fact, international inequality in terms of distribution of per capita incomes among the countries' population has declined in the last two decades. Trade liberalisation and with the removal of trade barriers did have some positive impact on country's growth but not all the developing countries have benefitted from it. We also find that with globalisation, transnational companies largely from the advanced economies driven by competition at home for markets (Siddiqui, 2017d) and higher wages and low returns, driven rising completion for markets, seeking to cut their costs have started investing abroad and supported by the rise of global value chains since the 1990s.

Since their independence, in the 1950s and 60s, the developing countries share has risen and by 2010 their total share is over 42%, double than in the 1970.

Industrial sector in the developing countries is also increasing and their share of value added in global manufacturing output increased from 13% in 1970 to more than 40% by 2010. Moreover, the share of manufactures in developing countries exports rose from 12 % in 1980 to 63% by 2010, nearly half of this consisted of medium and high technology products. Another key development has been the rise of services in their export components of the developing courtiers such as information technology and e-commerce.

As the Chinese economy is "catching up" fast and also Indian economy, both are re-emerging as most rapid growing economies and also major contributor to overall world's output growth in 21st century. The two countries only in the recent past were only known as marginal economies, but now China has become as the second largest economy after the US, which is a remarkable development of the 21st century. However, the global GDP share of Latin America has marginally increased to 8% between 1970 and 2010, while for Africa has remained same i.e. less than 3% for this period. Africa's share in manufacturing value added in 2011 was only 2%, as it was in 1970.

Moreover, the widening gap between rich and poor countries seems to be the dominant features of the modern history. The Economist (2014) insist that it would take developing countries as a group (excluding China) more than a century or even longer period as three centuries to catch up with the income levels of the rich countries. The average life expectancy in the developing countries has risen in recent decades, but still in the sub-Saharan Africa it is only 56 years compared to 78 years in the United States. It appears that the Western world is punching too far above its weight which could the main root of on-going crisis. The future cannot be just extension of the past. More needed to be done in the developing countries, especially those who still have widespread poverty in terms of economic policies and it may involve structural change. Todays' advanced economies did not attain that status naturally and overnight, but they formed polices and worked consistently to achieve those goals.

The study concludes that colonisation left a huge devastation not just in their economies but social and political impact which had lasting impact. Their economies fell behind until mid-20th century. However, after they became independent, their economies began to witness higher growth rates than previous decades. Almost all the Asian counties soon after independence adopted ambitious drive towards industrialisation, where state played a leading role. However, the poorest countries have not been able to converge and largely the two largest ones, namely China and India have experienced rapid growth rates and economic changes in recent decades.

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