Q1(b)

# What are the main challenges faced by the developing countries in the era of globalisation?

UPSC Civil Services Mains 2022 · PSIR GS 2 · 10 marks · Globalisation

Globalisation: Responses from developed and developing societies.

## Core demand of the question

- What are the main challenges faced by the developing countries in the era of globalisation?
- Keep the answer within a 10-mark length

## Revision summary

Globalisation opens markets and tightens external rules.

Wallerstein's hierarchy and Prebisch's trade concern still describe many late developers.

Capital flight, TRIPS, and farm subsidies in the North cut policy space.

Inequality, informality, and climate costs are domestic faces of the same pressure.

Regional and South-South bargains are the usual reply, not autarky.

## Introduction

Globalisation thickens trade, capital, data, and rules across borders. For developing countries it is opportunity and pressure at once. The challenges are economic, political, and social.

## Body

## Economic challenges

- Terms of trade and commodity dependence still fit parts of Raul Prebisch's older UNCTAD warning, even after export growth in East Asia.
- Immanuel Wallerstein's core-periphery map still describes technology and finance concentrated in a few States.
- Sudden capital flight, as in the 1997 Asian crisis, shows how open accounts can punish late developers.
- WTO rules, TRIPS, and agricultural subsidies in rich States constrain policy space that earlier industrialisers used.
- Joseph Stiglitz stressed that IMF-style conditionality can deepen recessions before growth returns.

## Political and social challenges

- Sovereignty is shared with rating agencies, investors, and treaty dispute panels.
- Tax competition, illicit flows, and a digital divide widen inequality inside States.
- Labour informality and weak social security meet import shocks and automation.

- Climate rules and carbon borders add costs that developing States did not create in the same historical share.

### Agency that remains

- South-South clubs, BRICS finance, and regional trade pacts are attempts to rewrite, not exit, globalisation.

### Flow diagram

Globalisation -> Trade and TRIPS

Globalisation -> Capital volatility

Globalisation -> Rules of WTO IMF

Trade and TRIPS -> Challenges for South

Capital volatility -> Challenges for South

Rules of WTO IMF -> Challenges for South

### Conclusion

Developing countries face volatile capital, unequal rules, squeezed policy space, and social inequality under globalisation. The era is not a level market. It is a hierarchy that they must bargain inside.

### Facts & figures

**Wallerstein**
World-system theory locates developing States in a periphery or semi-periphery of a capitalist world-economy.

**WTO TRIPS**
Intellectual-property rules that raise the cost of technology and medicines for late industrialisers.

**Stiglitz**
Argued that poorly sequenced financial opening and Fund programmes can harm developing economies.

**UNCTAD / Prebisch**
Early structuralist claim that commodity exporters face declining terms of trade without industrial policy.