



# GLOBALIZATION

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# Introduction:

- The post-cold war international relations are characterized by the process of globalization & liberalization.
- It has changed the very intellectual understanding of international politics & economy and also the global power equations among the nations.
- It has now come to be one of the most frequently used term(buzzword) in politics & economics.
- Globalization is the concept of securing real social, economic, political and cultural transformation of the world in to a real global community.
- In other words, it is a process of blending or homogenization by which the people of the world are unified into a single society & function together.

# Meaning of globalization:

- Globalization has different meaning to different people.
- In economics, globalization means integrating the economy of the country with world economy resulting in the free flow of goods, services, technologies, finance & labor across the national boundaries.
- In a broader sense, globalization is the expansion and intensification of connections & movements of people, goods, capital, ideas and cultures between countries. A more

# Meaning .....

- ...integrated global system has also increased consciousness of such shared problems as pollution, disease, crime & terror which can only be dealt at the global level.
- Thus, globalization process is a combination of economic, technological, socio-cultural and political forces.

# Factors responsible for globalization:

- Major causes for the emergence of globalization are –
  1. Policies of liberalization,
  2. Technological revolution,
  3. New forms of industrial organization,
  4. Failure of soviet socialist model
  5. Examples of some developing countries,
  6. Role of the sole super power,
  7. Role of international institutions, etc.

# I. Policies of liberalization:

- Pursuance of the policies of liberalization by different countries in the post-communist era mainly account for the growth of globalization.
- As a result of these policies, restrictions on international economic transactions were removed.
- Liberalization means the freedom to establish any industry/trade/business/financial investment(FDI) within the country or abroad.

## 2. Technological revolution:

- Revolutions in the field of transportation & communication has converted the world into a global village.
- Jet aircrafts, computers, satellites, internet, e-commerce, e-mail & information technology all have served to remove frontiers of time and space.
- Besides the cost of transmission & reception of information has fallen considerably.

### 3. New forms of Industrial Organization:

- Development of new management techniques in industrial organization has also accelerated the process of globalization.
- Technological advancements, falling share of wages in cost of production, mutual closeness between producers and consumers, paved the way for participating in expanding international sector.



## 4. Failure of Soviet Socialist model:

- After the mid 1980s & early 1990s the centrally planned and command economies of Soviet Union and East European countries miserably failed.
- By 1991, the communist system collapsed in these countries due to dismal economic performance, controlled markets and closed door policies.
- After the failure of the Soviet model all these countries also adopted the western model of free market economy, policies of liberalization & globalization.

## 5. Examples of some developing countries:

- Experience of some Asian developing countries also promoted the idea of globalization.
- These countries were S. Korea, Thailand, Malaysia, Taiwan, Hong Kong & Singapore who by adopting the policies of liberalization & globalization achieved new heights of success.
- These success stories of globalization inspired other countries to globalize their economies.

## 6. Role of the sole super power – USA:

- The triumph of the US in the cold war proved that the western capitalism and liberalism are superior to socialism and communism.
- After the cold war the US pursued the liberal foreign policy of “enlargement of free-market democracies” more vigorously.
- Countries of the world started following the bandwagon of the US.
- The success of globalization is conditioned by the existence of a super power whose currency is universally acceptable.
- The political supremacy of the US has also been instrumental in speeding up the process of globalization.

## 7. Role of International Institutions:

- Several international institutions namely, the WTO, the IMF, the World Bank, the UN agencies such as ILO, UNDP, UNCTAD, etc. have also created an international atmosphere which promoted the process of globalization.
- With the foundation of the WTO in 1995 this process was accelerated.
- WTO is the primary rule making body of the globalization process. Since then it has become one of the most powerful international organization.

# Characteristics of Globalization:

- Important trends identified with globalization since world war II are like greater international movement of commodities, money, information and people and development of technology, organizations, legal systems, etc.
- Some of the features of globalization are
  1. Economic globalization,
  2. Cultural implications,
  3. Development of technology,
  4. Global standards to inventions,
  5. Universal values,
  6. Universal justice,
  7. Global terrorism,
  8. Promotion of free trade,
  9. Political implications, etc.

# I. Economic implications:

1. Integration of domestic economy with global economy,
2. Increase in international trade, foreign capital, investment and technology,
3. Creation of international agreements leading to the establishment of organizations like the WTO, the OPEC, etc.
4. Development of global financial systems,
5. Increased role of international organizations such as WTO, IMF, etc.
6. Increase of economic practices like outsourcing by MNCs.

## 2. Cultural implications:

- It includes the following –
  1. Greater international cultural exchange,
  2. Spreading of multiculturalism & cultural diversity(westernization),
  3. Greater international travel and tourism,
  4. Greater immigration including illegal immigration,
  5. Spread of local foods like pizza, cola, etc to other countries.
  6. Wide spread of pop culture and increased usage of foreign phrases.

### 3. Development of technology:

- Information technology is integral to the process of globalization.
- Greater development of global telecommunication infrastructure and greater trans-border data flow using modern technology like internet, communication satellites and telephones.



## 4. Global standard to Inventions:

- Globalization has also applied a global standard to inventions.
- For example, there are global copyright laws and patents.

## 5. Universal Values:

- Formation and development of a set of universal values is also another feature of globalization.

## 6. Universal Justice:

- Many movements have also been pushed which include the establishment of an international criminal court and international justice movements.

## 7. Global Terrorism:

- Terrorism has also undergone globalization.

## 8. Promotion of Free Trade:

- Free international trade with liberalized approach towards exports and imports.
- Removing of all tariffs and also removal of quota system.
- It also includes, elimination or reduction in subsidies in local business.
- It also recognizes intellectual property restrictions and laws across nations.

## 9. Political Implications:

- Politically globalization has weakens national sovereignty and reinterprets democracy to mean capitalist democracy i.e. free market economy and liberal political system.
- The role of the state began emerging as that of a facilitator and coordinator in the place of owner and controller.
- Thus, globalization is characterized by “shrinking space, shrinking times and disappearing border” It swung open the door to opportunities.

# Positive impacts of Globalization:

- Many people holds the opinion that the process of globalization is beneficial to world economic development and is inevitable and irreversible. Its merits are –
  1. Beneficial to developing countries,
  2. Flow of foreign capital,
  3. Entry of MNCs,
  4. Increase in knowledge,
  5. Technology and marketing,
  6. Socio-economic transformation,
  7. Beneficial to consumers,
  8. Develops world trade,
  9. International division of labor,
  10. Promote world peace and cooperation,
  11. Elimination of corruption, etc.

# I. Beneficial to developing countries:

- Globalization has promoted economic equality and reduced poverty.
- The integration of poor economies with the richer ones has provided many opportunities for poor people to improve their lives.
- Globalization has helped to reduce poverty in a large number of developing countries.



## 2. Flow of foreign capital:

- It encourages the flow of foreign capital in the form of FDI, commercial borrowings, collaborations, etc.
- Transference of capital from developed to underdeveloped countries will be mutually beneficial.
- The developed countries have surplus capital.
- Globalization helps in the flow of surplus capital of developed countries to underdeveloped countries.
- As a result of this, the developed countries may earn profit and the later may invest it on productive activities.

### 3. Entry of MNCs:

- It encourages the entry of MNCs.
- These corporations have unique and empirical capacity to increase production & distribution.
- These corporations bring with them modern technologies with them.
- they can offer investment on research & technology.
- They make radical changes in the production system of the country with their superior technology, professional, managerial competence and quality.

## 4. Increase in Knowledge:

- Rapid increase in knowledge through globalization provides a new potential for developing countries to grow faster.
- The knowledge explosion is driving technical change, which is changing the nature of global interactions and competitions.
- Unless the developing countries move rapidly to join the fast moving global economy and the information network that supports it, the gap between the rich and the poor countries would grow wider.
- In short globalization results in the diffusion of knowledge for the benefit of all.
- The MNCs impart training to local employees in respect of modern technologies of production, marketing, financing, exports, etc.

# 5. Technology and Marketing:

- Modern technology & managerial services are made available to enterprises established in different parts of the globe by the MNCs.
- As a result, the productivity of these enterprises increases & resources are optimally used.
- It is due to globalization that technology has been transferred from developed countries to the developing ones.
- The MNCs make available marketing services especially export related marketing research, advertisement, spread of marketing information, storage facilities, transport, packing designs, etc.

## 6. Socio-economic Transformation:

- Globalization is not only an economic phenomenon but also a cultural & social phenomenon.
- Due to globalization, personnel in management and other superior positions will come to underdeveloped countries with their own life styles which will have good influence on these societies.
- The Euro-American life-styles such as dignity of labor, responsibility for law and order, knowledge and character, these positively influences social change in the developing countries.

## 7. Beneficial to consumer:

- Globalization promotes competition and this competition brought the world economic order many benefits like a very efficient economy at a very low cost.
- This competition results in delivering the consumer the very best quality and variety of goods.
- This competition bring down prices because consumers have a choice.

## 8. Develops World Trade:

- Globalization has extended world trade.
- The establishment of WTO in 1995 aimed at multilateral trade.
- On account of globalization world trade & investment barriers fell rapidly.
- There was dramatic decline in transportation and communication costs.

## 9. International Division of Labor:

- It causes a new type of international division of labor.
- That is breaking up the production process into many geographically separated steps.
- A good is produced in a number of stages in different countries.
- Geography & national boundaries are no longer constraints.
- For example, a US toy manufacturer sets up a purchase contract with a firm in Hong Kong, which establishes a joint venture to manufacture labor intensive toys in China, using plastics shipped from Malaysia and ships the final products to US.





## 10. Promote World Peace and Cooperation:

- Globalization leads to world peace & cooperation which could ultimately help in forging better understanding between the nations of the world.
- Recent development in communication technology have accelerated the process of integration and coordination.

# 11. Elimination of corruption:

- Globalization also encourages healthy competition and elimination of corruption.
- This will lead to higher out-put, greater employment and lower prices.

# Negative impacts of Globalization:

- Critics dub it as the main source of growing dependency and neo-colonialism.
- Following are the demerits of globalization –
  1. Diminishing role of the state,
  2. Harmful to the developing countries,
  3. Leads to neo-colonialism,
  4. Impact on religion,
  5. Globalization of terrorism,
  6. Cut-throat foreign competition,
  7. Causes economic inequality,
  8. Increase in debt burden,
  9. Adverse affect on balance of payment,

# Negative impacts .....

10. Increased dependence on MNCs,
11. Dubious experiments of policy reforms,
12. Increase in consumerism,
13. Element of uncertainty,
14. Interference of international institutions,
15. Depletion of natural resources, etc.

# I. Diminishing role of the state:

- In the recent years, state sovereignty in many developing countries has been severely reduced under the influence of globalization & the increasing prescriptions from the IFIs & MNCs.
- The economic role in these countries is severely diminishing.
- Non-state actors are playing significant role in the national as well as in international politics.
- Economic policies of the developing countries are being dictated by the IFIs thereby endangering the sovereignty and autonomy of these states.

## 2. Harmful to developing countries:

- According to the UNDP's Human development report(HDR) the benefits of globalization are unevenly shared between countries.
- Many countries have experienced negative growth and a declining standard of living despite being well integrated into global economy.
- Globalization for the Third World Countries simply means loss of economic independence, mortgaging economy to foreign capital and subjugation to the industrial countries.

### 3. Means of Neo-Colonialism:

- Developing countries are becoming more and more dependent on IFIs, WTO, MNCs who are also acting as facilitators of neo-colonialism.
- The trend of setting political and economic conditionality by the donor states in the dependent states is against the concept of state sovereignty leading to neo-colonialism.

## 4. Impact on Religion:

- The discourse of globalization is no longer confined to economics & politics but to culture and religion.
- In the globalized world, the world religions has undergone transformations.
- For example, the world has seen the globalization of Islamic Fundamentalism from Afghanistan to Chechnya, likewise there are instance of globalization of Fundamentalism projected by Christianity & Hinduism.
- The religious transformation or globalization of politically motivated fundamentalism and militant religious movements.



## 5. Globalization of Terrorism:

- Terrorism has also undergone globalization.
- The network of transnational terrorist are also operating in the context of globalization. Such networks are also beneficiaries of information revolution.
- By transferring arms and drugs across the borders, the terrorist groups can sustain themselves in the remotest corners of the world.
- The policy of the US led imperialism towards the West Asian region and tension between Islamic countries with Us proved to be a catalyst in mobilizing the radical Islamic grouping such as Al Qaeda and Islamic Front against the West.

## 6. Cut-throat Foreign competition:

- Critics are of the view that globalization will lead the foreign countries to cut-throat competition.
- It will weaken political, social and economic independence.
- Multinational might be in a position to manipulate things to their advantage, which will prove detrimental to the interests of the poor nations.
- By making use of improved technology in their production system these MNCs fix lower price of their products and thus compete out local producers.
- Once the indigenous industry is completely destroyed by these competition, the MNCs will have full control over the market.

# 7. Causes Economic Inequality:

- It has also been criticized that globalization will lead to economic inequality.
- Globalization leads to the growth of MNCs.
- These corporations proved harmful to the goal of economic equality in many ways.
- These MNCs set up industries in the urban areas causing urban & rural disparity.
- these MNCs pay more salaries to their employees than the others leading to inequalities of income and living standards.
- In short, globalization leads to inequality & exploitation.

## 8. Increase in Debt burden:

- The immediate impact of globalization might be to increase the debt burden of the developing countries.
- It has been argued that debt servicing is imposing a real burden on the developing economies.
- Over 25% of exports of developing countries are devoted to debt servicing which adversely affect their economic development.

## 9. Adverse effect on balance of payments:

- Globalization has adversely affected balance of payments position of most of the underdeveloped countries.
- Their imports usually consists of capital goods & intermediate products.
- The Third World countries specialize in the export of primary commodities.
- The world prices for the primary goods have declined and its demand stagnated.
- As the demand for capital goods rose sharply, their prices also went up.
- All these factors combine to have an adverse affect on BOP situation.

# 10. Increased dependence on MNCs:

- The main objective of MNCs is to earn maximum profit.
- To achieve this objective they invest their capital in underdeveloped countries and such an investment proves to be very profitable for them.
- The labor is very cheap in these countries and also provide cheap raw materials for certain kinds of production & have a profitable market for their finished goods.
- These corporations receive from underdeveloped countries more than 50% profit every year on their direct capital investment.

# 11. Dubious experiment of policy reforms:

- The policies of liberalization, privatization and elimination of all kinds of restrictions may prove counter-productive without considering the strength and weakness of a country.
- These reforms may expose the economy to excessive dependence upon external events beyond control.
- The south –east Asian crises is an ample evidence of this danger.

## 12. Increase in Consumerism:

- Another criticism against globalization is that it paved the way for consumerism and high priority for luxury items.
- The necessities and comforts are sacrificed in favour of conspicuous consumption.
- Increasing consumerism discourages savings and encourages consumption.
- The increasing trends towards consumerism was one of the causes of economic crises faced by 'East Asian Tigers' like S. Korea, Thailand, Malaysia, etc.



# 13. Element of Uncertainty:

- Globalization is expected to promote the flow of foreign capital, but an uncertainty looms large in respect of foreign capital.
- At the time of crises when foreign capital needed the most, the availability becomes scarce.
- The workers and the trade union leaders fear that globalization will lead to unemployment.

# 14. Interference of International Institutions:

- Globalization resulted in increasing interference of international institutions like the World Bank & IMF in the policy making process of underdeveloped countries.
- At times of shortage of foreign exchange due to trade deficit burdens these countries has to rely upon these bodies for loan.
- As reliance on these lending bank increases, who in turn impose more conditions & also interfere in the policy making of these countries.
- These institutions may suggest measures like a cut in social spending, wages, infrastructure and imports.

# 15. Depletion of Natural resources:

- The structural adjustment programme of the World Bank also has been an adverse impact on the country's natural resources in many ways.
- There is a pressure to increase exports of natural resources and agricultural commodities on a large scale.
- Since external debt has to be repaid in foreign exchange, this requires that the country's exports should exceed its imports.
- The increased demand for export of natural resources shifts it from local production and consumption, causing depletion of natural resources in the long term.

# Conclusion:

- Despite its criticisms, the globalization process is going to stay and irreversible.
- Now globalization debate shifted from focusing on whether world economic integration is good or bad, to the best ways of managing globalization process.
- While globalization has the potential to make all people better off, there is no guarantee that it will do so or that all changes will be positive.
- “Global markets, global technology, global ideas, and global solidarity can enrich the lives of the people everywhere. The challenge is to ensure that the benefits are shared equitably and that this increasing interdependence works for people – not just for profit” HDR(1999) of UNDP.