

# Globalization: A Boon or Bane

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## Abstract

*Now a days the term "GLOBALISATION" enjoys immense popularity. This word is dominant, not only in theoretical and political discourse but also in every day language. It is at the centre of diverse intellectual and political agendas, raising crucial questions about what is widely considered to be the fundamental dynamic of our time- an epoch-defining set of changes that is radically transforming social and economic relations and institutions in the 21<sup>st</sup> century. Globalisation is the movement towards the expansion of economic, social and cultural ties between countries through the spread of corporate institutions and the capitalist philosophy that leads to the shrinking of the world in various terms.*

## Introduction

However the critiques of "Globalisation" consider it as the political project of a transnational capitalist class which is formed on the basis of an institutional structure set up to serve and advance the interests of this class. According to them it is a systematic ploy to divide the society into classes in the long run. They view globalisation as a class project rather than as an inevitable process tend to see the changes associated with it differently. Those who view globalisation as a class project rather than as an inevitable process tend to see the changes associated with it differently. In the first place, "globalisation" is regarded as not a particularly useful term for describing the dynamics of the project. It is seen, rather, as we do-as an ideological tool used for prescription rather than accurate description. In this context it can be counter posed with a term that has considerably greater descriptive value and explanatory power: imperialism. Using this concept, the network of institutions

that define the structure of the new global economic system is viewed not in structural terms, but as intentional and contingent, subject to the control of individuals who represent and seek to advance the interests of a new international capitalist class. Globalisation is neither inevitable nor necessary. No system is perfect in itself. It is to be seen whether globalisation will serve the objectives of the various economies in equitable and just growth and development of the subjects of nations.

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institutions in the 21<sup>st</sup> century. Globalisation is the movement towards the expansion of economic, social and cultural ties between countries through the spread of corporate institutions and the capitalist philosophy that leads to the shrinking of the world in various terms.

The term Globalisation can be used as:

- i. An economic phenomenon.
- ii. A social phenomenon.
- iii. A cultural phenomenon.

As an economic phenomenon it refers to the process of increasing economic integration and growing economic interdependence between nations. It means integration of different economies of the world into one global economy thereby reducing the economic gap between different countries. This is achieved through the process of privatisation and liberalisation by removing all restrictions on the movement of goods, services, capital, labour and technology between nations. Globalisation leads to an increased level of interaction and interdependence among different countries. There is free flow of goods, services, technology, management practices and culture across national boundaries. From a country's viewpoint, globalisation is the process of integration of the domestic economy with the world economy.

According to the International Monetary Fund, Globalisation means "the growing economic interdependence of countries world wide through increasing volume and variety of cross-border transactions in good and services and of international capital flows and also through the more rapid and widespread diffusion of technology".

Globalisation implies being able to manufacture in the most cost-effective way possible anywhere in the world, being able to procure raw materials and management resources from the cheapest source anywhere in the world, and having the entire world as one market. The global corporations of today conduct their operations worldwide as if the entire world were a single entity. It also implies emergence of a world where innovation can arise anywhere in the world.

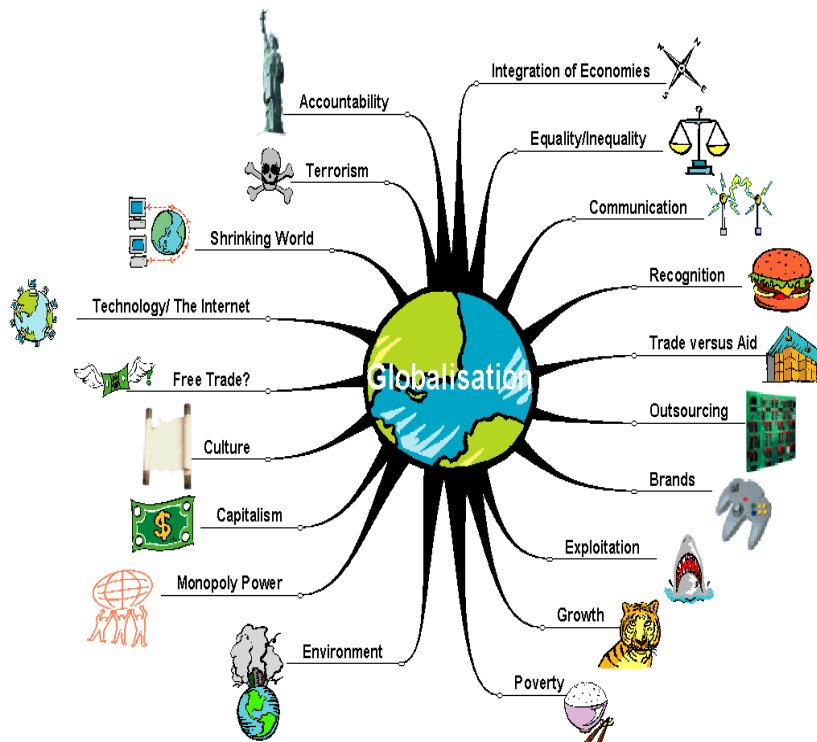
The Process of globalisation requires among the countries of the world:

- ii. free trade
- iii. capital market liberalisation
- iv. flexible exchange rates
- v. market-determined interest rates
- vi. the deregulation of markets
- vii. the transfer of assets from the public to the private sector
- viii. the tight focus of public expenditure on well-directed social targets
- ix. balanced budgets
- x. tax reform
- xi. secure property rights
- xii. The protection of intellectual property rights.

The term "globalisation" has been used in a multiplicity of senses. Concepts like "the global interdependence of nations," "the growth of a world system," "accumulation on a world scale," "the global village" and many others are rooted in the more general

notion that the accumulation of capital, trade and investment is no longer confined to the nation-state. In its most general sense, “globalisation” refers to cross :

national flows of goods, investment, production and technology. Globalisation can be viewed and studied from different angles shown by the following picture :



**Integration of Economies**

- ii. The increasing reliance of economies on each other
- iii. The opportunities to be able to buy and sell in any country in the world
- iv. The opportunities for labour and capital to locate anywhere in the world
- v. The growth of global markets in finance

**Integration of Economies is made possible by:**

- a. Technology
- b. Communication networks
- c. Internet access
- d. Growth of economic cooperation – trading blocs (EU, NAFTA, SAARC, G-20, ASEAN. etc.)
- e. Collapse of ‘communism’
- f. Movement to free trade

**Trade Vs. Aid**

- ii. **Benefits of Trade**
  - a. Increased choice
  - b. Greater potential for growth
  - c. Increase international economies of scale
  - d. Greater employment opportunities
  - e. More competition among traders leads to enhanced quality of good and services.
  - f. Consumer's sovereignty
- iii. **Disadvantages of trade**
  - a. Increase in gap between the rich and the poor
  - b. Dominance of global trade by the rich, northern hemisphere countries
  - c. Lack of opportunities for the poor to be able to have access to markets
  - d. Exploitation of workers and growers.
- iv. **Corporate Expansion**
  - v. Multi-national or trans-national corporations (MNCs or TNCs) – businesses with a headquarters in one country but with business operations in a number of others countries.
- vi. **Characteristics**
  - a. Expanding revenue
  - b. Lowering costs
  - c. Sourcing raw materials
  - d. Controlling key supplies
  - e. Control of processing
  - f. Global economies of scale

Globalisation is both a description and a prescription. As a description, "Globalisation" refers to the widening and deepening of the international flows of trade, capital, technology and information within a single integrated global market. Like terms such as "the global village," it identifies a complex of changes produced by the dynamics of capitalist development as well as the diffusion of values and cultural practices associated with this development. As a prescription, "globalisation" involves the liberalisation of national and global markets in the belief that free flows of trade, capital and information will produce the best outcome for growth and human welfare. Globalisation is a set of interrelated processes inscribed within the structures of the operating system based on capitalist modes of global production. It is also considered as the outcome of a consciously pursued strategy. According to Keith Griffin (1995), a well known proponent of "human development" and a declared advocate of radical changes or social transformation, globalisation is inevitable. From this inevitability –of-globalisation perspective, the issue is how a particular country, or group of countries, can adjust to changes in the world economy and insert themselves into the globalisation process under the most favourable conditions.

**Globalization—An unstoppable force?**

There was a time when Coca-Cola was the hallmark of a global company, selling its soft drink in virtually every country, in virtually every language. But now the world is used to MacDonald's selling hamburgers in Moscow, Beijing and Karachi, while Toyota pick-up trucks roam the African Sahel, and Sony televisions occupy a central location in homes worldwide.

This is the golden age for business, commerce and trade. Never before in the history of the world has there been such an opportunity to sell as many goods to as many people as there is right now.

It's not just big companies that are in on the explosion—although they may dominate. Instant information and communications have allowed indigenous people in Guyana to market handmade hammocks through the Internet, and even the fifty or so people living on remote Pitcairn Island can sell their handicrafts anywhere.

With instant information and communication, virtually everything is available to anyone, anywhere. Markets are now global and many corporations are often richer and more powerful than many countries.

There has always been trade between countries and societies, but never on a scale close to today's levels. A combination of reduced trade barriers, financial liberalisation and a 112 technological revolution have completely changed the nature of business in virtually all of the industrialized countries.

- The countries of the world are exporting ten times the amount they did in 1950, and more money—more than \$1.5 trillion a day—now moves across borders. In 1973, that figure was only \$15 billion.

- More people are travelling than ever before, with 590 million going abroad in 1996, compared to about 260 million in 1980.

- More people are making international telephone calls than ever before, and are paying less. A three minute phone call from New York to London cost \$245 in 1930—in 1990 it cost just \$3.

Globalization does not stop there. With the Internet and state-of-the-art telecommunications, sales and technical representatives based in India can answer customer questions in the United States.

Back-office insurance jobs can be located thousands of miles from company headquarters, in different parts of the country, in different countries, and on different continents.

More trade, more markets, more business, more information, more jobs, more opportunities.

This is the promise of a globalized world. The tide of globalization has already brought considerable wealth to areas of the world long accustomed to only poverty, and even more wealth to areas that were doing quite well already. In East and South-East Asia, countries have turned to export-based economies to propel themselves up the development ladder. In the coastal regions of China, global market-oriented businesses have helped raise living standards for millions of people.

This whirlwind of economic activity has brought many benefits, and wealth, to many people.

There has been faster economic growth, higher living standards, accelerated innovation, and new opportunities for both individuals and countries. Accompanied by a revolution in information and technology, the world is very much a smaller and more integrated planet than ever before.

However the critiques of “Globalisation” consider it as the political project of a transnational capitalist class which is formed on the basis of an institutional structure set up to serve and advance the interests of this class. According to them it is a systematic ploy to divide the society into classes in the long run. They view globalisation as a class project rather than as an inevitable process tend to see the changes associated with it differently. Those who view globalisation as a class project rather than as an inevitable process

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Using this concept, the network of institutions that define the structure of the new global economic system is viewed not in structural terms, but as intentional and contingent, subject to the control of individuals who represent and seek to advance the interests of a new international capitalist class. Globalisation is neither inevitable nor necessary.

Clearly, not everyone is happy about globalization. Many people don't like globalization because it allows rich and powerful outside business interests to intrude into a local culture, overrides local traditions, and threatens a way of life. There were many who cheered for a French farmer who vandalized a McDonald's. Starbucks coffee shops have been favorite targets for people protesting globalization.

In more traditional societies, globalization threatens the cultural and religious underpinnings of society. In both industrialized and developing countries, many people feel threatened—and are threatened—by the globalization process. A globalized economy presents a myriad of challenges, from protecting local cultures to protecting the environment to protecting local jobs.

The backlash is very real. During the failed World Trade Organization talks in Seattle that were intended to further

expand trading opportunities last December, thousands of demonstrators who agree on little else aside from a common dislike for globalization, caused major disruptions.

Labour Unions protested, fearing that a new trade agreement would provide an incentive for companies to move their jobs abroad. Environmentalists protested, fearing that global trade agreements would undercut domestic environmental safeguards. And there were nationalists, who feared that further globalization would diminish national sovereignty, and possibly lead to a loss of freedom, liberty or rights.

Whether it is viewed as an ominous juggernaut that crushes everything in its path, or whether it holds the promise of a better future, globalization is a phenomenon that is with us. Like the weather, it is, and will be, a source for endless discussion, but little can be done about it. But also like the weather, it is a force to which people can adapt.

#### **Developing Countries Wary**

Developing countries, however, are nervous about the imposition of conditions. They already must meet a plethora of conditions to receive loans from the International Monetary Fund or the World Bank—and some of these conditions have been more damaging than helpful.

Consequently, they are leery of the push for greater corporate responsibility. While they support labour standards, environmental protection, and human rights, many of these countries are wary that they are just a smokescreen for greater protectionism in the richer countries. They fear that without resources, they will be hopelessly unable to enforce these principles, and will then be the target of sanctions. Their fears are not unfounded, as United States President Bill Clinton

raised the spectrum of sanctions in Seattle during the WTO talks.

Developing countries have also been slow to support the Global Compact initiative, as many believe that the principles selected contain a northern bias. Of greater concern to developing countries are the behaviour of monopolies, the need for foreign corporations to contribute to the tax base, and a sharing of technology.

### **New Challenges**

There is no world government to regulate all the facets of globalization, and very few people want one. Yet to manage globalization to ensure that all enjoy its benefits, there is a need for more comprehensive global governance—a system of international law based on the principle of multilateralism that will spell out the ground rules for all participants in the global economy.

Many areas of interdependence need global attention. The benefits of a globalized economy must be accompanied by greater global cooperation to prevent and contain the spread of “global bads,” such as the spread of economic crises, epidemics, environmental degradation, crime and drugs. Cooperation is to address macroeconomic policies, and on trade, aid and the need for a fair and equitable system to protect intellectual property.

At present, there are organizations to address many of these issues, but by and large, their work is uncoordinated, and poorly supported by the international community. To achieve a more integrated degree of policy coherence, gaps must be filled and existing structures improved. Not to dominate national governments and overpower cultures and societies, the essential role for global governance is to define objectives, set standards, and to monitor compliance.

The United Nations, a treaty organization made up of 189 countries, is part of the answer. But to address the needs of people, it needs the support not only of governments, but also of civil society, the private sector, parliamentarians, local authorities, the scientific community, and many others.

As a result of globalization, the world’s commitment to the poor is being recognized not only as a moral imperative but also as a common interest. Each country must still take primary responsibility for its own programmes of economic growth and poverty reduction. To this end, it may be proposed for concrete actions, urging the developed countries in particular to:

Grant free access to their markets for good produced in poor countries. Implement debt relief programme, including cancellation of all official debts of the heavily indebted poor countries, in return for those countries making demonstrable commitments to poverty reduction. Grant more generous development assistance. Work with pharmaceutical countries and other partners to develop an effective and affordable vaccine against HIV. Make special provision for the needs of the most under developed nations.

- ii. Key Issues:
  - a. Damage to the environment?
  - b. Exploitation of labour
  - c. Monopoly power
  - d. Economic degradation
  - e. Non-renewable resources
  - f. Damage to cultures
- iii. Other Issues:
- iv. Accountability of Global businesses?
- v. Increased gap between rich and poor fuels potential terrorist reaction

- vi. Ethical responsibility of business?
- vii. Efforts to remove trade barriers.

Of the world's six billion people, 1.2 billion live in extreme poverty, or on an income of roughly US \$1 a day or less. Just under 3 billion people live on \$2 a day or less. Industrialized countries, with 19 per cent of the world's population, account for 71% of global trade in goods and services, 58 per cent of foreign direct investment, and 91% of all Internet users. More than US\$1.5 billion is now exchanged on the world's currency markets each day.

Foreign investment topped US\$400 billion in 1997, seven times the level, in real terms, of the 1970s. Between 1983 and 1993, cross-border sales of US Treasury bonds increased from \$30 billion to \$500 billion per year.

International bank lending grew from \$265 billion in 1975 to \$4.2 trillion in 1994. The world's 200 richest people more than doubled their net worth in the four years before 1998, to more than \$1 trillion. The assets of the top three billionaires total more than the combined GNP of all the least developed countries with their 600 million people.

**But if globalization can generate wealth, it can also take it away:**

· The billions of investment dollars that washed up on Asian shores in the mid-1990's abruptly reversed direction in 1997, sending millions of people back into poverty in what has become known as the Asian financial crises, although its impact was so widespread it affected countries on virtually every continent. Hardly a fluke economic condition, the Asian crisis marked the fifth serious international

monetary and financial crisis in the last two decades, all which have left a trail of financial devastation and ruin from Russia to Latin America.

The benefits of globalization have largely bypassed over half of the world's population, or close to 3 billion people who make do on less than US\$2 a day. These are people who have not shared in the new wealth, are not connected to the Internet, and for the most part, lack the necessary skills that are needed to participate in this brave new economic world.

In Central Asia and Eastern Europe, where many countries have not adapted to the global economy, more people today are living in poverty than ten years ago. Now the time will only tell whether globalisation will meet the challenges of various economies. It will serve the mankind or it will result in concentration of wealth and economic power in the hands of a few to the detriments of rest of all.

“The greatest challenge we face today is to ensure that globalization becomes a positive force for all the world's people, instead of leaving billions of them behind in squalor. Inclusive globalization must be built on the great enabling force of the market, but market forces alone will not achieve it. It requires a broader effort to create a shared future, based upon our common humanity in all its diversity”.---

From the Millennium Report

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