

LECTURE ON GLOBALISATION

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Introduction:

By globalization we simply mean the process of increasing interconnectedness between societies such that events in one part of the world more and more have effects on peoples and societies far way.

A globalized world is one in which political, economic, social and cultural events become more and more interconnected and also in which they have more impact. In other words societies are affected more and more extensively and more and more deeply by events of other societies. These events can be broadly divided into three types, social, economic and political. In each case world seems to shrinking. The World Wide Web (WWW) is very good example of this, since it allows you to sit at home and have instant communications with websites around the world. Globalization is associated with free flow of information, access to more products, international social movements such as Amnesty International, Green Peace, global franchises such as McDonalds, Coca-Cola and Pizza Hut.

Historical Background:

The historical origins of globalization are the subject of ongoing debate. Several scholars relate it with modern era and others regard it long history. The most extreme proponent of a deep historical origin for globalization was Andre Gunday Frank, an economist associated with dependency theory. Frank argued that a form of globalization has been in existence since rise of trade links between Summer and Indus Valley Civilization in the third millennium (BC).

People have been buying from and selling to each other in lands at great distances, such as through the famed Silk Road across Central Asia that connected China and Europe during the Middle Ages. Likewise, for centuries, people and corporations have invested in enterprises in other countries.

The Islamic golden age was also an important early state of globalization when Jewish and Muslim traders and explorers established a sustained economy across the old world resulting in globalization of crops, trade, knowledge and technology. Globally significant crops such as sugar and cotton became widely cultivated across the Muslim world in this period, while the necessity of learning Arabic and completing Hajj created a cosmopolitan culture.

The 19th Century witnessed the advent of globalization approaching its modern form. Industrialization allowed cheap production of goods and rapid population

growth created more demand of commodities. Globalization in this period was decisively shaped by the 19th century imperialism.

In fact three key institutions helped shape the current era of globalization: the International Monetary Fund (IMF), the World Bank and the World Trade Organization. All these three institutions trace their origins to the end of World War II (1939-1945) when United States and the United Kingdom decided to setup new institutions and rules for global economy. At Bretton Woods Conference (New Hampshire, United States), formally known as the United Nations Monetary and Financial Conference, they i.e USA, UK and other countries decided to regulate the international monetary and financial order after the conclusion of World War II. The Bretton Woods system created an international basis for exchanging one currency for another. It also led to the creation of the International Monetary Fund (IMF) in 1945 and the International Bank for Reconstruction and Development in 1944, now known as the World Bank. The former i.e IMF was designed to monitor exchange rates and lend reserve currencies to nations with trade deficits, fostering global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth and reduce poverty around the world. The latter i.e. World Bank was to provide underdeveloped nations with needed capital, its mission was redirected to help developing countries faster and provide a higher living standard for their

people. The World Bank made loans to developing countries for dams and other electrical generating plants, harbor facilities and other large projects. These projects were intended to lower costs for private businesses and to attract investors. Beginning in 1968 the World Bank focused on low cost loans for health, education and other basic needs of world's poor.

Another Key institution shaping globalization is the World Trade Organization, which traces its origins to a 1948 United Nations Conference in Havana, Cuba. The Conference called for the creation of an International Trade Organisation to lower tariffs (taxes on imported goods) and to encourage trade. Although the administration of President Harry S. Truman was instrumental in negotiating this agreement, the U.S. Congress considered it a violation of American Sovereignty and refused to ratify it. In its absence another agreement, known as General Agreement on tariffs and Trade (GATT), emerged as the forum for series of negotiations on lowering tariffs. The last of these negotiating sessions, known as the Uruguay Round, established the World Trade Organization (WTO) which began operating in 1995. GATT and WTO have helped to increase exports. WTO has increased scope of trading agreements. Such agreements no longer involve only trade of manufactured products but today agreements involve services, investment, and the protection of intellectual property rights, such as patents and copy rights.

The Policy and technological developments of the past few decades have spurred increases in cross-border trade, investment, and migration so large that many observers believe the world has entered a qualitatively new phase in its economic development. Since 1950, for example, the volume of world trade has increased by 20 times, and from just 1997 to 1999 flows of foreign investment nearly doubled, from \$468 billion to \$827 billion. World exports rose from 8.5 % in 1970 to 16.2 % total gross world product in 2001. Distinguishing this current wave of globalization from earlier ones, Thomas Friedman (American journalist, columnist and author) has said that today globalization is “farther, faster, cheaper, and deeper.”

Measuring Globalization:

As globalization is not only economic phenomenon, a multivariate approach to measuring globalization is the recent index calculated by Swiss think tank KOF. The KOF team has a rather complicated definition of globalization, namely, “the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods. Globalization is conceptualized as a process that erodes national boundaries, integrates national economies, cultures, technologies and governance, and produces complex relations of mutual interdependence.”

The index measures three main dimensions of globalization: Economic, Social and Political.

Economic globalization: Economic globalization is measured by the actual flows of trade, foreign direct investment and portfolio investment, as well as the restrictions applying to these flows.

Social globalization: Social globalization is expressed as the spread of ideas, information, images and people. It is estimated by personal contact (international telephone traffic, transfers, tourism, foreign population, and international letters), information flows (Internet users, television ownership, trade in newspapers), and cultural proximity (number of McDonald's restaurants, number of Ikea shops and trade in books).

Political globalization: Political globalization is characterized by the degree of political cooperation. It is measured by the number of embassies, membership of international organizations, participation in UN Security Council missions, and number of international treaties signed.

According to index, the world's most globalized country is Belgium followed by Australia and Sweden. The least globalized countries according to KOF is Haiti, Myanmar.

When it comes to economic globalization, Singapore is at number one in the list. In social globalization it is Switzerland which comes 1st. In political globalization France is on top of list.

Impact of Globalization:

Industrialization has altered the nature of state, both widening its responsibilities and weakening its control over outcomes. The result is that old power politics model of international relations becomes outmoded. Forces become less usable; states have to negotiate with other states to achieve their goals.

The main arguments in favour of globalization are:

- i. The pace of economic transformation is so great that it has created a new world politics. States are no longer closed units and they cannot control their economies, the world is more interdependent than ever, with trade and finances ever expanding.
- ii. Communications have fundamentally revolutionized the way we deal with rest of the world. We now live in world where events in one part of the world can be immediately observed in other parts the world. Electronic communications alter our notions of social groups we work with and live in.

- iii. There is now more than ever before, a global culture so that most urban areas resemble one another.
- iv. The world is becoming more homogenous. Differences between people are diminishing.
- v. Time and space seem to be collapsing
- vi. There is emerging a global polity, with transnational, social and political movements and beginnings of a transfer of allegiance from the state to sub-state, transnational to international bodies.
- vii. A cosmopolitan culture is developing, people are beginning to think globally and act locally.

Negative impacts of globalization:

It is said globalization has brought economic volatility and instability. The 1997 financial crisis in Asia led to massive unemployment and displacement of millions of migrant workers. Globalization has been accompanied by debt and poverty. More than 80 countries had low per capita income in year 2000 than they had in 1990. More than 1.3 billion people struggle to survive less than a dollar a day. Privatization and dismantling of social welfare schemes have led to widening inequalities in many countries. In large parts of the world corruption has increased and personal, social and political insecurity has spread. The most inevitable consequence of this growth in poverty has been a parallel

escalation in violation of human rights. One of the obvious objectives to globalization thesis is that it is merely a buzz-word to denote latest phrase of capitalism. Globalization allows the more efficient exploitation of less well –off nations and all in the name of openness. Globalization makes it easier for drug cartel and other unlawful elements to operate. A risk culture is emerging with people realizing the main risks that face them are global pollution, AIDS and other diseases and that states unable to deal with the problems.

In so called global governance of IBM or SHELL becomes more and more powerful in the world, does this not raise the issue of how accountable are they to democratic control. The worry is that most of the emerging powerful actors in the globalized world precisely are not accountable.