

Globalisation: Facing the New Realities

The topic as given *prima facie* appears to be disconnected with each of the phrases mentioned therein but it actually is not. The changes which swept the worlds in the 1990s including unification of the two Germanys, the end of the Cold War and the end of the behemoth, called the Union of Soviet Socialist Republic, brought in its wake many new realities to the fore. Globalisation was one of them and World Trade Organisation or WTO was only one of the myriad manifestations in which the process of globalisation unfolded itself. The effect of this overarching reality was so cascading for everyone in the Comity of Nations that it was very difficult for anyone to escape it, not even India which as a liberal-democratic state has always been open to changes from all around.

By shutting itself out to something like globalisation, India could have only isolated itself much to its own peril. So, it was only in the fitness of things that India not only accepted this reality but also braced itself up for the changes coming in its wake. Before the evils of the globalisation come knocking us at our doors, we better be equipped with our positive responses to it. But before we proceed further, it would only be in the fitness of things that we first have a basic idea as to what do we actually mean by globalisation.

Globalisation means different things to different people. It can be defined, simply, as the expansion of economic activities across political boundaries of nation states. More importantly, perhaps, it refers to a process of deepening economic integration, increasing economic openness and growing economic interdependence between countries in the world economy. It is associated not only with a phenomenal spread and volume of cross-border economic transactions, but also with an organisation of economic activities which straddles national boundaries. The lure of profit and the threat of competition in the market drive this process.

The word globalisation is used in two ways, which are a source of confusion and a cause of controversy. It is used in a positive sense to describe a process of increasing integration into the world economy and the characterisation of this process is by no means uniform. It is used in a normative sense to prescribe a strategy of development based on rapid integration with the world economy. Some see this as salvation, while others see it as damnation.

Globalisation is based on the concept that the globe is a single unit for decision-making. It means free movement of goods, services and capital throughout the world. It is accompanied by opening up of national economies to global markets with a simultaneous and corresponding reduction in the role of the State to shape national policies. However, in the context of globalisation, the interaction between developed and developing countries poses some critical questions. To what extent should globalisation be allowed to undermine the State's capacity to formulate policies, especially for the benefit of the poor? Should not globalisation also connote free movement of labour? When there is not any discrimination between national and international capital, should there be differentiation between national and international labour?

Further, globalisation has brought in more knowledge-intensive and capital-intensive industries. The question is at whose initiative, and on whose terms? What will be the mechanism to check the adverse effects on a developing country's economy and society, if free inflow of capital is followed by free outflow as well?

As is well-known, structural change, an integral part of globalisation, is a process of transformation of agricultural economies to industrially developed ones and the process is largely shaped by exposure to international markets both in terms of production and of consumption. Obviously, the crucial factor in garnering the benefits of the process depends on a country's ability to compete internationally. Since the world order is unequal, competition is necessarily unequal. The question naturally emerges as to how far can a developing country like India meet the challenges of unequal competition, and how far can it absorb the shocks of inequality in its socio-economic system?

Since globalisation is meant to work through domestic structural adjustment policies (SAP), by shifting emphasis from the State to the market, what would be the short-term and long-term impact on its people? Known evidences broadly confirm that the impact of SAP largely depends on a particular country's pre-existing circumstances, infrastructure and policy framework. How would it affect the teeming indigent masses that form the majority of Indian people? Actually, the many consequences of India globalising itself impact us at various levels and the available alternative responses have to be seriously considered and thought of.

When one considers the phenomenon of globalisation, a wide array of images comes to mind. One is of a very strong current, carrying everything on its course. Another is of a noisy and hostile vacuum cleaner that sucks up everything in its path, leaving an empty trail behind. These two images can either be viewed as very benign or as awfully malignant. For those who are riding the crest of globalisation the process is pretty benign, while for those who are sucked up in the process, it is malignant. One of the forceful manifestations of globalisation is its market-driven and technology-fuelled dynamic. The main characteristics in this realm include a creative dynamism of invention and entrepreneurial risk-taking and the breaking of old, honoured traditions when they get in the way. There are many interconnected, but distinct, processes wrapped up inside the notion of globalisation. Over the past decade there has been:

- A revolution in information and communications technology;

- Extremely rapid growth in deregulated financial transactions and trading of foreign exchange;
- Internationalisation of financial resources partially because of removal of controls on movement to capital across borders;
- Increasing interdependence and integrated distribution of goods across the world;
- A significant burgeoning of trade;
- Continuing growth in the importance of large multinational companies;
- Shift in relationship between states and markets, and reduced ability of states to control markets;
- Dramatic increases in foreign direct investment;
- Increased communication due to technological advancements and reduced cost thereof;
- Expansion of international financial markets;
- Reorganisation of production methods by MNCs and related globalisation of production assets;

While these processes are a reflection of humanity's advancement and are irreversible, there are, nevertheless, three discernible elements that are cause for concern:

1. The powerful wealthy are establishing the character, priorities and values of the emerging world order. The global free market economic system based on cut-throat competition, efficiency and productivity is, all too often, at the expense of an increasingly disadvantaged sector. This is creating problems that, in the long term, will threaten world order and economics;
2. A single, lucrative market, which is increasingly the site of heated contest, is emerging in the process. Alternatively stated, globalisation processes are dramatically extending the reach and depth of the international political economy. In the process, many poorer countries are being drawn further into the global economic system, but the terms of inclusion are dictated by, and are in favour of, the wealthy. Others face the spectre of exclusion from economic activity;
3. International markets increasingly favour the economics of scale and collective capacity. Competitors with the greatest capacity—those that can instantaneously mobilise vast resources and or co-ordinate economic strategy across a range of domains—will ultimately be the only ones able to compete. Accordingly, prosperous regions are striving for more pervasive political and economic interconnection and integration and poor regions are increasingly being left behind.

Combined together, these three characteristics are resulting in the simultaneous integration but also subordination of poor countries in the international political economy. At the dawn of a New World Order, the developing states need to discover to survive these processes. Poor countries and regions of the world should unite to pre-empt the danger of permanent marginalisation. In economic terms, they should avoid being consistently 'out-competed' in international markets by the wealthy and powerful.

Salient Points

- Globalisation means different things to different people.
- In a positive sense, it is a process of deepening economic integration and economic interdependence between countries.
- On negative front, Poorer countries are drawn into the global economic system but the terms of inclusion are dictated by, and are in favour of, the wealthy.
- Prosperous regions are striving for more pervasive political and economic interconnection and poor regions are increasingly being left behind.
- Impact of SAP (domestic structural adjustment policies) depends on a particular country's pre-existing circumstances, infrastructure and policy framework.
- Recently; ICT Revolution, FDIs, market-driven financial deregulation, rise of MNCs, etc. indicate human advancements.
- Poor countries should unite to pre-empt the danger of permanent marginalisation.

Glossary

Damnation: an oath expressing anger, disappointment

Teeming: fertile

Benign: gracious

Malignant: harmful