

# Positive and negative aspects of globalisation



This study debates the positive and negative aspects of globalisation and attempts to determine the impact of the phenomenon on the lives of modern day humans.

Globalisation is undoubtedly the defining feature of the contemporary world (International .... 2006, p 101-111). Economic globalisation, the driver of this phenomenon, concerns the growing interdependence of different national economies that is taking place because of the continuance and growth of international trade in commodities and services, rapid advancement and spread of technologies, flow of international capital across states, and movement of people across geographic borders (Kim & Zurlo, 2008, p 130-141). Economic globalisation is in another sense fundamentally driven by the ever growing desire of organisations and people across the world to take advantage of modern day opportunities, earn more money and grow in financial and economic terms (Kim & Zurlo, 2008, p 130-141).

Globalisation has come about and is spreading rapidly because of two important factors; advances in areas of science and technology and the global economic policies of powerful nations and organisations (Kim & Zurlo, 2008, p 130-141). Astonishing advances in areas of science and technology have made it far simpler, easier, and cheaper for people to talk to each other across vast distances and exchange information and documents (International .... 2006, p 101-111). The growth of the Worldwide Web and the Internet have made huge amounts of information and data available to people in rich and poor countries, developed and developing economies, and in near and remote locations. Every person on this earth with a small personal computer and a broadband connection has as much information as

any other. He or she can communicate across the world, find organisations and businesses, and engage in economic, cultural and social activity (International .... 2006, p 101-111). Advances in transportation technology have reduced costs of transportation immensely in terms of ocean freight costs and air fares, making it significantly easier for people to travel across vast distances and send both goods and services to distant locations (International .... 2006, p 101-111).

Whilst globalisation has been facilitated by the many tools generated by science and technology, it has been initiated and encouraged by neo-liberal western economies like the United States, the UK and the wealthy countries of Western Europe (Boyer, 1993, p 10-12). These nations found themselves in control of the global economy after the collapse of the Soviet Union and initiated a number of economic and trade policies for the reduction of trade barriers and the movement of capital, production and service facilities, and people across nations. (Boyer, 1993, p 10-12) Such initiatives enabled the western nations to gain access to the huge markets in Asia, Latin America and Africa that they had lost in the wake of the demise of colonialism and enabled powerful western business organisations to use their financial and physical resources to establish and increase their business hegemony across the world (Gibson, 2003, p 59-73). The initiation and implementation of economic liberalisation policies by the majority of developing countries, at the instance of the IMF and the World Bank, provided western MNCs access to virgin new markets teeming with opportunity, and to good quality production and service facilities at costs that were unimaginable in the advanced economies (Gibson, 2003, p 59-73).

Globalisation, whilst fed and facilitated by such factors, has increased rapidly in recent years and has assumed a life and a character of its own that now appears to be irreversible and beyond the control of any particular nation or group of nations (Standing & Alber, 2000, p 99-119). The economies of various countries of developed economies and developing nations are now so interdependent that any effort to go against the trend seems to be absurd and doomed to failure (Standing & Alber, 2000, p 99-119).

Whilst globalisation, both economic and cultural, now appears to be irreversible, its impact continues to be fiercely debated (Standing & Alber, 2000, p 99-119). Supporters of globalisation point to the enormous economic advancements that have been achieved by national economies, both in the developed and in the developing world, during the last two decades (International .... 2006, p 101-111). They state that the forces of globalisation, which have resulted in high levels of interaction between the peoples of different nations, in terms of exchange of goods, capital and people, and have been instrumental in bringing about unprecedented and astonishing growth in economic activity and cultural exchange, will also bring about greater convergence of global society in terms of economic and social equality between the people of rich and poor nations and the creation of a convergent global social and economic order (International .... 2006, p 101-111).

Critics of globalisation are however equally forceful in their opinion of globalisation being little other than a tool of western nations for increasing their international economic and political hegemony (Tonelson, 2002, p 6-12). Such critics argue that the MNCs, like Nike, Gap, Coca Cola, IBM, who  
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are the fundamental drivers of economic globalisation, are using every available opportunity to increase their profitability and are routinely engaging in a range of oppressive activities in the developing countries (Brecher & Costello, 1994, p 1-4). They are on one hand using their resources and skills to establish market dominance over smaller, less resourced and less skilled local entrepreneurs and taking away from them their rightful markets (Brecher & Costello, 1994, p 1-4). They are on the other hand exploiting the widespread economic poverty and need that exists in the developing world to obtain goods and services at cheap rates (Brecher & Costello, 1994, p 1-4). Economic globalisation, such people state, far from creating convergence, is actively increasing the divergence between global societies (Brecher & Costello, 1994, p 1-4). Recent years, they argue, have witnessed an increase in the economic differences between rich and poor societies, rather than in any meaningful convergence. Globalisation they state is resulting in a race to the bottom with increasing inequalities between different segments of people (Rudra, 2008, p 15-21).

This short study takes up the debate between these two positions with reference to actual examples from rich and poor nations and strives to relate policy debates with actual realities. It strives to examine both sides of the debate and analyse whether globalisation in its present form will bring about greater economic and cultural harmony or should be moderated in the interest of social justice and equality.

## **Race to the Bottom**

The race to the bottom represents a new economic phenomenon that is essentially an offspring of increasing globalisation (Tonelson, 2002, p 6-12).

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The concept results from the desires of developing economies in the contemporary globalised scenario for greater levels of FDI (Foreign Direct Investment) to boost their per capita GDP (Rudra, 2008, p 15-21). Such FDI is invited by developing countries for the installation of production facilities for domestic as well as international consumption. Many developing economies invite FDIs and foreign participation in their economies by promising (a) opportunities to MNCs for engaging cheap and skilled labour, and (b) freedom of action with regard to hiring and firing of workers (Rudra, 2008, p 15-21).

The current boom in FDIs is being driven by the desire of MNCs to establish production and service locations in low wage areas, where governments allow organisations to operate without inconvenient restrictions (Gibson, 2003, p 59-73). The passage of various free trade agreements, another integral component of the globalisation phenomenon, provides little by way of protection of the rights of workers (USLEAP, 2010, p 1). Although South America constitutes the largest supplier of bananas to the US, banana farmers and workers are continually battling injustices, poor and insecure working conditions and insufficient wages (USLEAP, 2010, p 1). Such desires and circumstances have resulted in an ongoing initiative by various MNCs to reduce their production costs by seeking out countries and regions that offer cheap wages and have low regulatory controls (Gibson, 2003, p 59-73). MNCs, in their desire to achieve high profits, actively search for countries without labour regulations in order to construct factories and begin production of goods with swiftness and at remarkably low costs (Gibson, 2003, p 59-73). With some countries offering tax incentives for specific

periods of time in return for investment in factories, MNCs are also able to reduce their total overhead costs by choosing their production locations with care (Gibson, 2003, p 59-73).

The desire for developing economies to attract foreign investment often leads to intense competition between nations in offering more attractive production environments, which in other words translates into availability of workers with cheaper wages and slack labour regulations (Balko, 2010, p 1). Such actions essentially result in the constant depression of wages to workers and to poor working conditions. MNCs, in their desire for cheaper production costs and greater profitability, bring about a race to the bottom where workers are exploited continuously, compelled to work for low wages in difficult working conditions, and face risks of unemployment, whenever MNCs locate more favourable locations and decide to take their business and manufacturing facilities elsewhere (Balko, 2010, p 1). A 2000 BBC report revealed an alarming incidence of child workers and adverse working conditions at the Nike and Gap sweatshops in Cambodia. Subsequent to the expose, both companies stopped operations in Cambodia leaving hundreds jobless (Balko, 2010, p 1).

This race to the bottom, experts on globalisation state, is resulting, not just in greater inequality between the rich and the poor, but in an all enveloping phenomenon that is diminishing the lives and the environments of the people of developing countries (Tonelson, 2002, p 6-12). China and India provide numerous examples of how multinationals are exploiting workers (Chan, 2003, p 21- 28). American MNCs constantly ask for lower prices from their suppliers in China. The resultant reduction in wages to workers is

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thereafter cloaked by incorrect payroll reporting (Chan, 2003, p 21- 28). Dan McDougall (2008) states that companies like Gap and Esprit, both of which are widely recognised fashion brands, use subcontractors in India that surreptitiously use child labour behind closed doors and employ local toughs to keep visitors away. Local factory owners in India dodge labour regulations and powerful labour unions in order to employ an ever growing force of poor rural children. Many such children, especially those engaged in the textile sector, damage their eyesight and hands from long hours of work in badly lit rooms. Their growth is adversely affected by having to sit in abnormal positions in uncomfortable work stations. Most of them do not have fixed working hours or supportive trade unions. The wages of child workers are sometimes less than 20% of adult wages (McDougall, 2008, p1).

The UN-HABITAT (2004), in a recent publication, states that the benefits of globalisation, in terms of improvements in incomes and economic growth are being negated by the rapid and unplanned urbanisation of cities, greater inequality and increased poverty. The movement of jobs and money to cities and states that can provide cheap labour is fuelling this race to the bottom. It is estimated that approximately 2 billion people, 75 % of the combined present day population of India and China, will live in slums by 2030. Amongst the worst affected by the reduction of barriers to the mobile modern day industries are female workers, whose wages and working conditions have reduced significantly. This race to the bottom is not just limited to the poorer developing nations. Even productive industrial cities like Detroit and Chicago have lost significant shares of their available jobs,



because of production activities being shipped abroad by numerous business organisations (UN-HABITAT, 2004, p 1-2).

## **Convergence and the Race to the Top**

Whilst the apprehensions and worries evidenced by modern day economists and experts on globalisation are very real and cause for immense concern, it would be foolish to deny the significance of the changes brought about by globalisation (Boyer, 1993, p 15-29).

The composition of trade has for example changed dramatically over the last two decades. Both developing and industrialised countries now trade in competing products (Neto & Viega, 2009, p 16-25). Whilst western economies, ever since the days of the industrial revolution, has exported manufactured products with high value addition, even as the rest of the world has traditionally exported primary commodities with low margins, more than 70% of the exports of developing countries are now constituted of manufactured items. Services, which until recent years were essentially local in nature, are progressively increasing their share of global trade (Neto & Viega, 2009, p 16-25).

Much of this shift in composition of trade has been accompanied with global redistribution of employment, as well as production (Boyer, 1993, p 15-29). Developing countries have now become important suppliers of numerous industrial goods. The advanced economies are also being able to sustain their economic growth with the support of an ever growing services sector in the developing countries (Boyer, 1993, p 15-29). MNCs, it cannot be denied, have contributed to such structural changes by shifting their operations to

locations that are proximal to markets and have low labour costs (Boyer, 1993, p 15-29).

Many countries that have been able to integrate into the global trading scheme are growing faster, obtaining better access to technology and capital, improving their productivity and achieving higher living standards (Boyer, 1993, p 15-29). China and India provide good examples of the adoption of sound economic and development strategies that take advantage of globalisation opportunities and yet ensure protection from its ill effects (Chan, 2003, p 21- 28). China has been regularly achieving an annual GDP growth rate in excess of 10% on the back of an export led economy that services markets across the world (Chan, 2003, p 21- 28). Such economic growth has changed the lives of millions of people and brought them above the poverty line (Chan, 2003, p 21- 28). The poverty rate in India remained stagnant from the late 1940s to the early 1980s despite the best efforts of a succession of socialist governments. The country's growth rate spiked after the adoption of liberalisation policies in the early 1980s. The growth rate soon crossed 6% and the country was able to cut poverty in half in the ensuing two decades (Rudra, 2008, p 30-39).

There is also a hard body of evidence to suggest that the growing economic interdependency of the contemporary globalised era will inevitably compel most countries and organisations to adopt similar managerial and social processes to bring about a homogenisation of national, fiscal and social policies (Boyer, 1993, p 15-29). Such adoption of technologies and processes are being witnessed in China and India and will progressively pervade the developing world (Boyer, 1993, p 15-29). Supporters of globalisation argue <https://assignbuster.com/positive-and-negative-aspects-of-globalisation/>

that higher economic growth and incomes will automatically result in greater financial resources with states, which can then be used for improvement of social security and the quality of life of disadvantaged population segments and bring about improvements in education, skills and earning power (Boyer, 1993, p 15-29).

Such processes will inevitably converge across nations to bring about improvements in the quality of life of millions of people across the globe and bring about a race to the top (Boyer, 1993, p 15-29). These arguments are of course supported by enormous data on the improvement in employment figures, higher incomes and better quality of life of people in the developing countries that have embraced globalisation.

## **Discussion**

Globalisation has very clearly brought about immense benefits to the peoples of both developed and developing nations (International .... 2006, p 101-111). Whilst the developed economies have been able to use the huge markets and cost economic production bases that have opened up in the developing regions of Asia, South America, Africa and East Europe to sustain and grow their economies, the developing countries have been able to use their bank of skilled and unskilled people to increase employment, incomes, education and quality of life in their nations (International .... 2006, p 101-111). Mathematically and logically the situation appears to be a win-win situation for both the developed and the developing world and should hypothetically over time lead to a homogeneous mass of people across the world with converging political, social and economic processes and improved qualities of life (International .... 2006, p 101-111).

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Unfortunately the situation is hardly as simple as this. The ongoing process of globalisation is actually being carried forward by the actions of numerous international business organisations (Standing & Alber, 2000, p 99-119). Many of these organisations are aiming to maximise their profits by exploiting each and every opportunity that is becoming available to them, because of (a) the eagerness of developing countries to accept their investment, and (b) the rather undeveloped legal infrastructural and social security systems in such countries (Standing & Alber, 2000, p 99-119). Such circumstances are leading to numerous instances of oppression of vulnerable people, destruction of valuable environmental habitat, and elimination of local skills, cultures and even societies (Standing & Alber, 2000, p 99-119). Relentless depletion of Philippines forest area from 35 to 20 percent is a direct result of the down levelling effect of globalisation (Brecher & Costello, 1994, p 1-4). Local governments and regulatory authorities are in most cases ill-equipped and incapable of preventing such injustices from taking place (Standing & Alber, 2000, p 99-119). The impetus of globalisation has also essentially come about from the development of a neo-liberal global economic order that allows international business organisations to do much as they please and renders national governments incapable of bringing in safeguards to protect their people, without losing out on fresh as well as existing investment (Tonelson, 2002, p 18-26).

The situation is further compounded by the lack of a global regulatory body for the control of international trade and commerce from the humanistic perspective (Tonelson, 2002, p 18-26). Whilst much of international effort in the area of globalisation has focused on the facilitation of international

business through the easing of capital and tariff barriers and recent years are seeing the growth of an international lobby for the protection of the global environment, there is no body or apparatus that protects the rights of workers and other segments of society who can be hurt by the rampant and uncontrolled actions of international business organisations and their local suppliers (Tonelson, 2002, p 18-26).

The need of the hour is for the formation of a global body that will take concerted and joint action to protect the international society, and particularly that of the developing world, from the effects of the many unfortunate imbalances that can occur because of the desperation of local governments for attraction of investment and the propensity of business organisations to forsake social concern for organisational profit (Tonelson, 2002, p 18-26).

## **Conclusions**

This study debates the positive and negative aspects of globalisation and attempts to determine the impact of the phenomenon on the lives of modern day humans. Globalisation is undoubtedly the defining feature of the contemporary world. Supporters of globalisation point to the enormous economic advancements that have been achieved by national economies, both in the developed and in the developing world, during the last two decades. They state that the forces of globalisation, which have resulted in high levels of interaction between the peoples of different nations, in terms of exchange of goods, capital and people, and have been instrumental in bringing about unprecedented and astonishing growth in economic activity and cultural exchange, will also bring about greater convergence of global

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society in terms of economic and social equality between the people of rich and poor nations and the creation of a convergent global social and economic order.

Critics of globalisation are however equally forceful in their opinion of globalisation being little other than a tool of western nations for increasing their international economic and political hegemony. Such critics argue that the MNCs, who are the fundamental drivers of economic globalisation, are using every available opportunity to increase their profitability and are routinely engaging in a range of oppressive activities in the developing countries.

Whilst the apprehensions and worries evidenced by modern day economists and experts on globalisation are very real and cause for immense concern, it would be foolish to deny the significance of the changes brought about by globalisation. The need of the hour is for the formation of a global body that will take concerted and joint action to protect the international society, and particularly that of the developing world, from the effects of the many unfortunate imbalances that can occur because of the desperation of local governments for attraction of investment and the propensity of business organisations to forsake social concern for organisational profit.