

What is globalization,
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What is globalization, and what are some of the traditional international trade theories that support the concept of globalization Globalization is a term which has been used to describe and explain many different phenomena like greater economic integration across national borders. The concept is supported by those who agree with its trade and economic benefits yet those who criticise it believe that those who perceive it as a threat to social cohesion and an invasion of the " capitalist evils of the west" thus undermining state welfare. As at today the term denotes a kaleidoscopic image, a great variety of tendencies and trends in the economic, social and cultural spheres. (Friedman 1992).

In brief it can be used to described from an economic and developmental point of view as ,

" increasing and intensified flows between countries of goods, services, capital, ideas, information and people, which produce cross-border integration of a number of economic, social and cultural activities. 1

Vincent(1995) points out that the present form of globalization is defective as it is largely shaped by the rules made by the superpowers and that is why these rules do not necessarily benefit the developing countries. (Friedman 1992). Globalisation has come to involve a delocalization of business activities which previously involved face-to-face interaction, or that were local, due to long distances. This significant delocalization has occurred in the social and economic exchanges and cultural barriers have been accordingly broken). Business and commerce has taken the most effect from this phenomena as the internet has proven to be a tool on Globalisation as e-commerce has revolutionized the entire business scene and broken the

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notion of geographical boundaries.

List the major drivers of globalization and give three examples of each.

Globalisation has provided people with a great opportunity of integration through its declined communication and transport costs, better access to a larger consumer base which may run into billions of people into the world economy. Globalisation brings with it low costs and through better networking and transport better business networking is possible. The cost of disseminating information has reduced due to the advent of instantaneous communications. This has reduced the overall tariff rates which themselves become drivers to globalization. Another driver has been the reduction in exchange rate controls.

Lastly another driver has been the increased FDI trend particularly in the search for cheaper markets in Asia. The last two decades have seen an increase in the FDI within Asia and FDI rates have peaked in the mid nineties. FDI has had a large role in promoting the growth of the "Asian Tigers" and has played a large role in Asia's more globalised trade structure. Asia, especially East Asia, has been very focal in attracting FDI. However these drivers of Globalisation can sometimes turn against the agenda they are chosen for. Feenstra (1998) has discussed the case of the Japanese electronics firms who when faced with losing price competitiveness of their products (due to the drastic yen appreciation in the mid-1980s) so they decided to set up their production bases in low cost locations like Korea and Taiwan, to maintain their price competitiveness. Later on as all the FDI increased the exchange rates of Korea and Taiwan as well they too stopped being FDI favourites in the early nineties. The Japanese firms were now faced

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with the dilemma of shifting their FDI's back into ASEAN countries to avail the advantages of low cost labour. The same happened to the ASEAN countries eventually and their exchange rates increased as well. Now Japan chose China for its large consumer market and low wages. China's recent measures have not been very pro-FDI either and therefore it seems that China is no longer a low cost favourite of the FDI's. China seems to have lost its low cost attractiveness to foreign firms therefore. (Feenstra. R, 1998)

Explain at least four effects of globalization that impact your community and your organization.

The effects of Globalisation are quite a few. Where as one effect has definitely been political and this is the minimalist role of the state. The end of cold war has brought many changes in the international politics. Not only did we see a change from bi-polar world to uni-polar political scenario but also the changing nature of war.. The periods since the end of the cold war also gave rise to new complexities. The Cold War had presented a fragmentation of the global strategic balance. (Feenstra. R, 1998). Things were made worse by the bitter realities of the Post Cold War era which had a negative perspective to conflict resolutions and peacemaking. On another level this " Big Brother" impetus can be labelled as being mainly based upon the political agenda of " democratisation and globalisation" of the world through multilateral agenda. (Feenstra. R, 1998)

Speaking from a business perspective we are looking at delocalization of business activities indeed and this has been hyped up by the advent of the internet. The current business scenario particularly in the arena of export intermediation has found its way to the cyber world bringing a radical shift in

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the current international business channels(Houmann 2005).

. The internet has changed the face of obtaining, processing and transmitting of business information and this this has enabled exporters to interact directly with and exploit the potential of foreign consumer bases. This has led to a reallocation of the activities currently in the ambit of export market intermediaries to other parties in the export marketing channel. The emergence of the internet as a commercial platform along with the possibilities of information exchange inherent in electronic networks has added value to the products and services in terms of new content in market offerings. This is the age of the internet as a shopping place has indeed revolutionised by changing the market scenario for the businesses as well as for the consumers. (Houmann 2005). This has greatly aided in the popularity among the people of the idea of E commerce as businesses clamour to gain popularity through " web-vertising" and online promotions aimed at targeting consumer value and satisfaction. The Globalisation has brought to us the age of the technologically driven market place of today where there are countless promotional messages, appeals, advertisements and attractions which await the consumers as they enter the cyber world

However there have been a number of problems too like the relative price changes and the falling prices of labour-intensive manufactures as well as rising prices of industrial raw materials. There is no doubt a reduction in the global inequality amongst people but for some people it has increased poverty as investors hunt for cheaper markets.(Houmann 2005)

References

(And some suggested readings)

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