

How the globalization has been influenced politics essay



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Question : What factors have shaped the processes of globalization? Discuss to what extent the world economy is becoming less or more globalised as a consequence of the global recession started in 2008?

draw the views of radicals, sceptics and pragmatics regarding the factors promoting :

the existence of economic globalisation as a new phenomenon

DIFFERENT FROM internationalization, westernization, liberalism or cultural convergence.

It should further discuss:

to what extent such factors have been influenced by the economic crisis

AND what are the consequences for the globalising world economy.

Key authors: HIRST & THOMPSON,

sCHOLTE (BOTH IN THE READING PACKAGE.)

OHMAE

DICKEN

Introduction :

In the last decade, globalization has been much all over the news. But despite its prominence, globalization is viewed as a highly complex process difficult to define.

Essay divided in 3 parts :

Introduction: 250 words

The factors that have shaped the economic globalization: 1000 words

The globalization debate: 900 words

How the globalization has been influenced by the economic crisis and the consequences on the world economy: 1000 words

Conclusion: 150 words

Indeed, it a topic that is discussed by many authors who strongly disagree about its significance.

Impossible to define.

I will present the nature and the significance of these processes. (prod, finance, trade)

Globalization is transforming the ways in which nations interact

in the last few decades international trade and production has become increasingly globalised and corporate activity has diversified and multiplied

Not only globalization is very real, but it consequences can be felt everywhere.

The global market place is more developed than in the 60's and 70's and is indifferent to national borders.

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Nations have lost most of their sovereignty and politicians have lost most of their capability to influence events.

The era of nation state is over

THE FACTORS THAT HAVE SHAPED THE PROCESSES OF ECONOMIC GLOBALIZATION

According to Castells, economic globalization can be mainly conceived as three different sets of factors that have shaped the processes of globalization, encompassing the changes that took place at a global level over the last few decades: the globalization of production, the globalization of finance and the globalization of trade (Castells, 2000).

The globalization of production

The globalization of production encompasses the changes that took place in a global level regarding the ways in which production of goods and services is organized and involve three dynamics: a massive increase of Foreign Direct Investment, an increased role of transnational corporations in the world economy and finally a growth of long distance production network (Prasad, 2006).

The massive increase of FDI

According to Razin and Sadka, the foreign direct investment (FDI) can be defined as “ an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in the source country (foreign direct investment or parent firm) in the host country.” (Razin and

Sadka, 2007). As mentioned by Castells, since 1960, the FDI was more and more concentrated in industrialized countries with its origins in a small group of industrialized countries and its destinations in the same group. However, as a real result of the economic globalization, the countries of the Third World are becoming important destinations. For example, transnational corporations' investments in transition economies are growing significantly and according to the UNCTAD, China replaced the United States as the world's largest destination for FDI in 2003 (UNCTAD, 2005). Therefore, it is possible to argue that there is globalization of production because the economic globalization is reorienting the destinations of FDI.

The role of transnational corporations in the world economy

Transnational corporations like Airbus, Samsung, Nike or Apple are companies who have their headquarters in one country (mainly concentrated in industrialized countries) and a number of subsidiaries in more than one foreign country. They constitute the most important vehicle for FDI, exceeding sometimes the gross domestic products of some national economies. Their role in the global economy is more and more important as their number is significantly increasing. Also, some transnational corporations located in some countries of the Third World tend to become significant vehicles for FDI (Held & Mc Grew, 2003). Consequently, the internationalization and the growing importance of these multinational corporations are rapidly shaping the processes of economic globalization.

The growth of long distance production network

According to Gereffi and Korzeniewicz, most of the large transnational corporations tend to disperse their production networks internationally which represents a fundamental difference from earlier, when the production processes were mainly organized within national frontiers (Gereffi and Korzeniewicz, 1994). Those new global commodity chains keep evolving through time and involve market-based networks of global scope organized by the multinational corporations through relying upon contracting and sub-contracting of production processes worldwide (Prasad, 2006).

According to Gereffi, there are two types of global world commodity chains: the producer-driven chain in which large manufacturing multinational corporations take a leadership role by organizing the chains; and the buyer-driven chains in which the leadership role is taken by the global retailers and marketers (Gereffi, 2002).

Consequently, the global production of goods and services gradually occurs through broadly- dispersed network activities that have shaped something similar to a global web of productive activities.

Hence, these three dynamics that constitute the globalization of production have influenced the world the economy while determining the processes of economic globalization. However, as previously mentioned, economic globalization also involves globalization of finance.

The globalization of finance

Economic globalization has been accompanied by notable fluctuations in the nature of the global financial organization. Indeed, the financial design that has been established by the Bretton Woods Agreement founded a system of <https://assignbuster.com/how-the-globalization-has-been-influenced-politics-essay/>

fixed exchange rates across national currencies (Bordo and Eichengreen, 1993). Though, after the collapse of this system in the 1970s, the global financial system has progressively become globalized and presented a rising tendency toward global integration of financial markets and some groundbreaking financial instruments.

Therefore, nowadays businesses increasingly work in a world of globally integrated capital markets with developments in a particular part of the planet rapidly spreading their effects on a global level.

Moreover, the globalization of finance has resulted in a surprising explosion of currency trading isolated from transnational trade.

Therefore, it is possible to understand that the changes concerning the global production and finance also implied a globalization of trade.

The globalization of trade

The increase of international trade in every economic activities worldwide.

International trade has grown significantly in relation to national income.

Compared to the era of the rapid trade growth of the 1990s, the export levels today are much bigger for the states part of the Organisation for Economic Co-operation and Development (OECD) because the trading walls have fallen across the world. Therefore, global markets have arisen for many goods and services.

Also, in terms of value, trade in manufactured products accounts for about 75 per cent of the global trade when trade in services represent only 20 per cent (Castells, 2000).

Changes in geographical patterns of international trade

As the manufactured products represent such a great part of the international trade, it is without a doubt that industrialized economies lead the international trade. However, as a result of the globalization of production and finance, the international trade tends to be increasingly geographically diversified. Indeed, as the exports between industrialized countries have significantly dropped, the exports between the Third World countries have increased which is changing the geographical patterns of international trade (Nigel, 2012)

The emergence of large regional trade groups as EU, NAFTA etc.

The globalization of trade introduced the development of regional trade group as the European Union (EU), Association of south East Asia Nations (ASEAN), the North American Free Trade Agreement (NAFTA) and Mercosur designed to give extra impulse to trade between member countries (Frankel, 1997).

The first section of this paper has explained the factors that have shaped the processes of economic globalization. But globalization and its consequences constitute the root of many controversies and debates that will be discussed in the second part of this paper.

THE GLOBALIZATION DEBATE

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According to Giddens, when it comes to the question of globalization, it is possible to distinguish three schools of thought: the hyperglobalizers, the sceptics and the transformationalists. Those three schools attempted to explain and understand the recent concept that is globalization, and more precisely, economic globalization.

The hyperglobalizers

According to Ohmae, globalization could be defined as a new era of human history in which “ traditional nation-states have become unnatural, even impossible business units in a global economy” (Ohmae, 1995). Ohmae’s of globalization privileges its economic logic while the other branch of this school of thought, the neoliberals, sees the globalization as the emergence of a single global market. Therefore, the hyperglobalizers think that the economic globalization will bring the “ denationalisation” of economies through the formation of global networks of production, trade and finance that have been discussed in the first part of this paper.

According to Reich, national governments are simple transitional institutions between global, regional and local instruments of governance (Reich, 1991). As mentioned by Strange the virtual forces of world market are more important than national governments and their authority is decreasing (Strange, 1996).

Within the hyperglobalist movement, it exists a divergence between the neoliberals and the neo-Marxists as the neoliberals see the individual autonomy as a triumph when the neo-Marxist see the oppressive global capitalism as a triumph (Greider, 1997).

However, those two variants of the movement agree on the economic globalization as a new phenomenon creating winners and losers in the global economy. They see the North-South division as an anachronism it has been replaced by a division of labour.

Moreover, the hyperglobalizers see the Nation State coming to an end as they consider the globalization as an indication of the first “ global civilization” and a new world order with an emergence of institutions of global governance (Albrow, 1996). Indeed, as argued by Ohmae, the authority of the nation state is challenged as the national economy is more and more of a site of global flows. Also, the national governments are not capable to control what happens in their borders or to satisfy the demands of their citizens (Ohmae, 1995).

As institutions of global governances are becoming more and more important, the sovereignty of nation states is eroded.

In general terms, the hyperglobalizers perceive the globalization as a reconfiguration of the “ framework of human action” (Albrow, 1996).

The sceptics

Compared to the hyperglobalizers, the sceptics see globalization as a myth or an ideology only relying on an economic conception. They think that globalization is primarily associated with a faultlessly integrated global market. According to Hirst and Thompson, the extent of economic globalization is categorically exaggerated (Hirst and Thompson, 2002). The sceptics consider the influence of national governments on global economic

activity really powerful and therefore perceive the hyperglobalizers' view as <https://assignbuster.com/how-the-globalization-has-been-influenced-politics-essay/>

politically naïve. In their point of view, the only thing that is demonstrated is that the economic activity is experiencing an important “ regionalization” with the emergence of the regional trade groups such as the EU, NAFTA etc. Indeed, according to Boyer and Drache, today’s global economy is considerably less integrated than it was in the past (Boyer & Drache, 1998).

Sceptics are also against the idea of the end of the nation state. Also, it is possible to see different points of view within the sceptics : some of them see national governments as the most important part of the internationalization considered as a US-initiated economic order who shaped an impulse for the liberalization of national economies.

Some others like Callinicos, see the increase of global trade and FDI as a new era of Westernization in which national governments are deeply concerned (Callinicos, 1994).

However, they all believe that internationalization has been accompanied by the rising economic marginalization of Third World states.

As argued by Held and McGrew, “ rather than the world becoming more interdependent, the sceptics seek to expose the myths which sustain the globalization thesis” (Held & McGrew, 1999)

The transformationalists

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Jones > Cycles of the economy

Stiglitz> Adverse impact on developing countries

Stiglitz, J (2002) Globalization and its Discontents (London, Penguin, 2002).

Stiglitz , J (2007) Making Globalization Work: The Next Steps to Global Justice, London, Penguin

Saul > Discusses the end of globalization - a specific economic moment

C) View of the TRANSFORMATIONALISTS regarding the economic globalization as a new phenomenon

c) How is the economic globalization different from:

- industrialization
- westernization
- liberalism according to the TRANSFORMATIONALISTS.
- cultural convergence

Authors: Giddens > Globalization is “ real” and its consequences can be felt everywhere

Level of world trade today is much higher than it ever was before and involves a much wider range of goods and services.

Biggest difference between before and now : level of finance and cash flow. (exemple : electronic money that exist as digits in computers - the current economy has no parallels in earlier times - transfer money in 1 click.

- Globalization is not only new but revolutionary.

Transformationalists

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Fin de 1ere partie : Giddens : “ I don’t believe that either the sceptics or the radicals have properly understood either what it is or its implications for us.”
+ “ It is wrong to think of globalization as just concerning the big systems, like the world financial order. “ Globalization isn’t only about what is “ out here”, remote and far away from the individual..

II) DISCUSSION ON GLOBALIZATION AND ECONOMIC CRISIS

https://vip2.uvm.edu/~sseguino/pdf/global_crisis.pdf

How the factors that have shaped the globalization have influenced the economic crisis.

How did the globalization of production influence the economic crisis

How did the globalization of finance and trade influence the economic crisis

<http://www.imf.org/external/pubs/ft/spn/2009/spn0904.pdf>

Consequences of the economic crisis on the globalising world economy.

x