

Globalisation: The Unstoppable Trend.

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Globalisation is not a single phenomenon. It has become a catch -all concept to describe a range of trends and forces changing the social and economic structures of the world. Globalisation may be defined as 'becoming or making world-wide', but it has also been referred to as Westernisation. Globalisation as argued by Professor Ruud Lubbers, former Prime Minister of the Netherlands, is considered to have a number of distinct elements to it, which include Economic, Technological, Political, Cultural and Environmental.

Economically, greater world integration or globalisation has been greatly encouraged since the Second World War, with the introduction of free trade agreements such as GATT (General Agreement on Tariffs and Trade). Additionally, regional trade agreements have also been developed, which have included 'single markets' established by the European Community and NAFTA (North American Free Trade Agreement).

Technologically, the IT revolution has provided a massive improvements in our ability to store and manipulate data using ever more powerful computers. More important however, is the communication abilities of these computers. The Communications Revolution has resulted in the 'shrinking' of the world.

Politically, it was not until the collapse of the former Soviet Block in the late 1980's and the general acceptance of the free market (deregulation) and democracy, coupled with the emergence of the 'Tiger' economies of the Pacific Rim, that the term globalisation has taken on true significance. Culturally, there has been a spreading of Westernisation, or perhaps more accurately Americanisation through the media of films, television and

music. Following the Second World War, the USA fearing the rise of communism, actively encouraged and subsidised the world-wide distribution of films effectively advertising (if only subliminally) the benefits of capitalism and the American Dream. As a consequence to the dilution of cultures, France for example has since introduced legislation requiring radio stations to play a minimum of 40% of music originating from or sung in French.

Environmental problems are increasingly becoming global problems. Therefore, countries are no longer able to look at environmental issues in isolation. This has been dramatically illustrated for example by the nuclear disaster at Chernobyl, the depletion of the ozone layer and acid rain over Scandinavia. Countries now need to act collectively (as per the Rio Conference) for there to be any chance of reversing or just slowing the damage being caused to the environment.

Globalisation of the economy has not been based purely on free trade but also on the free movement of capital. This has promoted direct foreign investments from one country into another (e.g. massive Japanese investment into the EU, especially the UK) which has had a strong influence on the globalisation of the national economies.

As an economic phenomenon, globalisation has resulted in a shift away from a world of distinct national economies to a global economy in which production is distributed internationally and finance is able to flow freely and instantly between countries. Multinational businesses have vast economic powers, whilst institutional investors and financial gurus such as George Soros are capable of influencing the currency rates, economic policies, and interest rates of individual nation states (e.g. September 1992, the UK was forced to leave the European Exchange Rate Mechanism). The framework of rules within which economic activity takes place is increasingly defined within the international framework of organisations such as the WTO (World Trade Organisation), the IMF (International Monetary Fund), the World Bank, the OECD (Organisation for Economic Co-operation and Development) and G7-8 summits, together with the regional trading blocks such as the European Union and

NAFTA.

Globalisation is arguably both a cause and a consequence of the information revolution. It is driven by dramatic improvements in telecommunications, exponential increases in computing power coupled with lower costs, and the development of electronic communications and information networks such as the Internet. These communications technologies are helping to overcome the barriers of physical distance. Communities of various types, including NGOs (Non -Government Organisations) which include international interest groups like Amnesty International or Greenpeace, as well as business and labour organisations, now function across national borders. Greenpeace is a prime example: the Shell Brent Spar case illustrated the ability of such internationally organised interest groups to successfully exert commercial and political pressure in multiple countries simultaneously. In turn, social policies affecting individual citizens are becoming more sensitive to international influences, especially when highlighted by the global news media.

While globalisation is transferring numerous decisions to the international arena, political and constitutional reforms in many countries involve attempts to decentralise decision -making from central government to more regionally autonomous authorities to cater for a sense of 'local' identity (e.g. new Labour policies on devolution for Scotland and Wales). These trends appear contradictory, but in practice they are causing the development of new multi-level policy systems. Consequently, borders are becoming increasingly difficult for governments to define and maintain. Therefore, national governments are being forced to redefine their roles, responsibilities and policy relationships. In the same way, multinational companies will find that they will not only have to deal with global trends but also the local laws and customs of their intended markets and manufacturing centres.

Globalisation has raised fears that the sovereignty of nation states is being undermined. If sovereignty can be defined as the ability to exercise control without outside interference, then nation states are clearly

experiencing diminishing sovereignty. Governments must recognise and work on the assumption that most issues they are required to deal with are affected by or will affect to some extent the international competitiveness of the country.

Governments' own responses to globalisation or the search for joint solutions to global problems have further effects upon sovereignty. Participation in international organisations or the adoption of international agreements puts limits on policy options available to governments. This may even require modifications to long-standing domestic policies and practices.

Interdependence is narrowing the degree of domestic policy independence. Unilateral action may not be the most effective way to achieve policy goals. For example, the exploitation of resources such as fisheries would inevitably result in the severe depletion, if not destruction, of common stocks (European Common Fisheries Policy). Many other important policy goals cannot be met by governments acting alone. In combating environmental problems and international crime etc, the interests of individual nations, therefore, may only be protected by collective action.

The competition for international investment encouraged by the activities and mobility of multinational enterprises means that most traditional domestic policies such as education and training, taxation, social protection, economic regulation and labour legislation have become international. Even a nation's domestic management policy is a matter of great concern to its trading rivals, because this will ultimately affect a country's efficiency and consequently its competitiveness. Government policies must increasingly be made more consistent with or competitive against those of their main trading rivals. This was highlighted by Britain's decision to opt out of the Social Chapter of the Maastricht Treaty.

Monetary and fiscal policy decisions can no longer be taken on the basis of exclusively domestic considerations. Currently more than 10 times the amount of finance needed to support the current volume of world trade, is traded daily on the world currency markets. This means that 90 per cent

of that activity could be seen as pure currency speculation. This is far in excess of what central banks can hope to influence through their own interventions, especially in the absence of any joint action. In recent years, the Labour Party in the UK, after four successive election defeats has gradually moved its economic policy broadly in line with that of the current Government. This may be seen as an attempt to gain credibility with the UK electorate but perhaps most importantly, to gain credibility with the International Money Markets which will have the opportunity of voting with their funds!

The improvement of communications this century from sailing ship to satellite has contributed directly to the globalisation of the world's economies and political systems. Technological globalisation of Information Technology has moved across cultural and physical barriers, effectively eliminating the capacity of countries (however draconian) to isolate themselves from the world outside. Despite this, Iran has recently banned the use of satellite television, but control will be difficult, if not impossible, to achieve because the information revolution which has also provided e-mail and the Internet has democratised information. It may seem nonsensical for the need to obtain a visa to physically visit someone to whom you are able to talk to electronically on a daily basis. The result is that free speech and civil liberties are becoming increasingly international. Borders will no longer act as boundaries, especially with respect to information (IT has effectively eliminated the capacity of countries to keep out foreign influences, good or bad) and the flow of finance and crime. Therefore, numerous problems can only be tackled in collaboration with other countries.

Ultimately, the goal of globalisation is to achieve a world economy reaping the benefits of additional trade and, consequently, mutual dependency (no two countries with a MacDonaldis franchise have ever gone to war with each other!), therefore creating more jobs and prosperity for the participating countries. However, some such as Martin Khor, an economist and director of the NGO Third World Network, believe that free trade within a global market will polarise the poorer countries from the

richer nations still further. According to some estimates, the industrialised countries, which make up 20% of the GATT membership, will gain 70% of the additional income arising from the implementation of the Uruguay Round of GATT.

The globalisation of trade finance and information is perhaps the tip of the globalisation iceberg. The challenge to governments may be made more acute by a host of other internationalisation's under -way, which include areas such as crime and population movement (economic refugees).

Even if it is considered by some to be less than desirable, the increasing globalisation of the world seems unavoidable. In the long term, little may be gained by nation states resisting the impacts of globalisation, which may ultimately prove to be ineffective and counter -productive.

To conclude, the ever-improving technology and consequently communications available to businesses, have enabled the creation of a global economy of production and finance, enabling industry to make use of territorial divisions, playing one country or trade -block off against another to maximise subsidies, savings in taxes, avoidance of anti-pollution regulations and guarantees of political stability and favour. With this, a new political structure is emerging with national sovereignty being an ever-looser concept (illustrated by the gradual and continuing integration of individual nation states into the European Union), which is contributing to the emergence of a phenomenon described by Robert Cox as 'macro-regionalism'. He considers there to be three macro -regions in the making: Europe based on the European Union; an Eastern Asian sphere centred around Japan; and a North American sphere centred around the USA and looking to embrace Latin America. Perhaps the emergence of these macro-regions is part of a natural evolution towards a truly global state?

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