

International Integration through the processes of Economic and Technological Globalization

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Abstract :

Globalization involves the diffusion of ideas, practices and technologies. It is something more than internationalization and universalization. There are many arguments for and against globalization. Many developing countries fear that increased globalization may lead to loss of control over economic and political decisions and may also threaten their traditions, language and culture. There is now interdependence of economies in regard to trading in goods and services and in movement of capital. So, domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. A globalize economy while formulating and evaluating its domestic policy has to take into consideration the policies and developments in the rest of the World. In this way national governments are constrained in decision making at the national level due to interconnectedness of economy. Due to new technologies there is emergence of global village and it has allowed the world economy to become a single interdependent system.

Keywords : Globalization of finance, digital divide, linking pin, ICT, corporate globalization, globalization from above.

Economic dimension refers to the intensification and stretching of economic interrelations across the globe. The IMF defines globalization as “the growing economic interdependence of countries Worldwide through increasing volume and variety of cross border transactions in goods and services, free international capital flows and more rapid and widespread diffusion of technology (IMF, World Economic Outlook, May 1997).

The World Bank defines globalization as the “freedom and ability of individuals and firms to initiate voluntary economic transaction with residents of other countries. (www.legalservice.com) There is increase in international trade at a faster rate with increased international flow of capital including foreign direct investment due to globalization. Huge international corporations and international economic institutions have emerged as the major building blocks of the 21st century’s global economic order.

Economic globalization has been occurring for the last several hundred years, since the emergence of trans-national trade, but it has begun to occur at an increased rate over the last 20-30 years. These are several significant effects of economic globalization from positive financial effects to growing power imbalance between developing and developed countries.

The emergence of global economic order :

Contemporary economic globalization can be traced back to the gradual emergence of new international economic order at an economic conference held at Bretton Woods, towards the end of World War II. The major economic powers of the Global North reversed their protectionist policies of economy and arrived at a commitment to expand international trade and to create a more stable money exchange system (Steger, 2003).

Bretton Woods conference also set the institutional foundations for the establishment of three new international economic organizations. The International Monetary Fund (IMF) was created to administer the international monetary system. The International Bank for Reconstruction and Development IBRD, later known as World Bank, was initially designed to provide loans for Europe’s postwar reconstruction (Steger, 2009). Later World Bank expanded its objectives to fund various

industrial projects in developing countries around the World. Another organization, General Agreement on the Tariffs and Trade was established in 1947 to enforce multilateral Trade Agreements. In 1995, the World Trade Organization was founded as the successor organization to GATT.

The neoliberal economic order which is based on eliminations of tariffs and other barriers to trade and capital flows between nations, further received legitimation with the collapse of communism in the Soviet Union and Eastern Europe in 1989-91. Since then, the three most significant developments related to economic globalization have been the internationalization of trade and finance, the increasing power of transnational corporations and the enhanced role of international economic institutions like IMF, World Bank and WTO.

The Internationalization of Trade and Finance :

There is an increased liberalization of trade and capital markets in national economies. More and more countries are moving away from the policies of protectionism of their economies from foreign competition or influence and promoting free trade instead.

The main benefit of unrestricted foreign trade which countries get is to have increased access of their producers to larger international markets. For a national economy that access means an opportunity to benefit from the international division of labor on the one hand and the need to face stronger competition in World markets, on the other. Domestic producers produce more efficiently due to their international specialization and the pressure of foreign competition (World Bank Group 2000). In addition an actively trading country benefits from the new technologies that spill over' to it from its trading partners. But active participation in international trade also entails risks, particularly with those who are associated with the strong competition in international markets. In a country, some of its industries can be forced out of business if they are less competitive and adaptable.

Governments of developing countries often argue that their recently established industries require temporary protection until they become more competitive to foreign competitor. Meanwhile, reliance on foreign suppliers may be considered risky for industries related to national security.

Empirical evidence suggests that globalization has significantly boosted economic growth in East Asian economies such as Hong Kong, the Republic of Korea and Singapore, but not all developing countries are equally engaged in globalization or in a position to benefit from it. In fact, except for most countries in East Asia and some in Latin America, developing countries have been rather slow to integrate with World economy. (www.ukessays.com) Most studies show that the gap between the rich and the poor countries is widening at a fast pace and the profits of free trade are not distributed evenly among countries.

Labor Unions and environmental groups have criticized free trade proponents and claimed that elimination of social control mechanisms has resulted in lowering of labor standards and ecological degradation.

The internationalization of trade has liberalized financial transactions. Globalization of financial trade has removed credit controls, deregularized interest rates and privatized government owned banks of different countries. There is increased mobility among different segments of the financial industry, Investment opportunities have increased with lesser restrictions on trade now. This new financial infrastructure emerged in the 1980s with the gradual deregulation of capital and securities markets in Europe, US, East Asia, Australia and New Zealand. A decade later South East Asian countries, India and several African nations followed suit. (Steger, 2003).

The Power of Transnational Corporations :

Transnational Corporations (TNC) which operate in more than one country or nation at a time have become some of the most powerful economic and political entities in the World today. The number of Transnational -Corporations in the World has increased about more than 50,000 in 2000. Enterprises like General Motors, Walmart, Exxon-Mobil, Mitsubishi and Siemens belong to 200 largest Transnational-Corporations, which account for over half of the World's industrial output. Ninety percent of all transnational corporations are based in the Northern industrialized countries. This Geographical concentration reflects existing asymmetrical power relations between the North and the South. (www.UNCTAD.org)

These corporations' control much of the World's investment capital, technology and access to international markets. The United Nations has justly described these corporations as "the productive core of the globalizing World economy". In order to maintain their prominent positions in the global market place, Transnational-Corporations frequently merge with other corporations. Transnational - Corporations have consolidated their global operations in an increasingly deregulated global labor market. The availability of cheap labor, resources and favorable production conditions in the Global South has enhanced corporate mobility and profitability.

Transnational Corporations exert significant influence over the domestic and foreign policies of the Northern industrialized governments that host them. New World order of globalization has allowed corporations to have less accountability to any govt, anywhere (Jennifer Clapp, 2005). These corporations, together with their host governments are reorganizing the World economic structure and the balance of political power, through a series of intergovernmental trade and investment Accords. Various treaties and Agreements like GATT (Uruguay Round of the General Agreement on Tariffs and Trade, WTO (World Trade Organization), the proposed Multinational Agreement on Investment (MAI), the North American Free Trade Agreement (NAFTA), European Union (EU) have served as the frameworks within which international trade and investment is evolving.

These international trade and investment agreements allow corporations to circumvent the power and authority of National government and local communities. Critics argue that it endangers worker's rights, the environment and democratic political processes. They have characterized economic globalization as 'Corporate Globalization' or 'Globalization from above'. (Bruno, 2014) The growing power of the Transnational - Corporations has profoundly altered the structure and functioning of the international economy. These giant firms and their global strategies have become major determinants of trade flows, the locations of industries and other economic activities around the World. As a consequence, Transnational-Corporations have become extremely important players that influence the economic, political and social influence of many nations. (Steger, 2003)

The Enhanced Role of International Economic Institutions :

International economic institutions are financial institutions which enforce the rules of a global economy. The three international economic institutions which are frequently mentioned in the context of economic globalization are the IMF, World Bank and the WTO. The IMF and World Bank emerged from the Bretton Woods system to provide loans to member states. Over the past two decades the functions of international economic institutions now address issues which were previously dealt at the level of national government. Now decisions and policies taken at the international level are increasingly affecting groups and people within states. (Steger, 2003)

In the wake of the financial crisis of 1990's, the powerful industrialized members of the IMF and World Bank cast the institutions into ensuring structural reforms in domestic financial systems of the member countries and ensure growth and poverty alleviation. With the onset of debt crisis both the IMF and the World Bank became more deeply involved in policy based lending and conditionality. As they extended loans to indebted developing countries, so there were specific conditions required to get loans.

At first these conditions focused on macro economic indicators and specific sectoral reforms. Gradually, however the conditionality of both institutions had broadened and included new areas such as good governance, rule of law, judicial reform, corruption and corporate governance, etc. This new wide ranging domain of advice and conditionality directly affects a wider range of policies, people, groups and organizations within countries.

The establishment of WTO in January 1995 altered the scope and power of international regulation in trade. The WTO is essentially a forum within which member states undertake multilateral trade negotiation. WTO was created on an all-or-nothing basis whereby countries had to commit to full membership which is backed by the rule based system. Withdrawal from any WTO commitment is extremely difficult and if a country violates any rule, the WTO can legitimize retaliation against that member country. The mandate of WTO is more extensive than its predecessor GATT. It has included Trade Related Investment Measures (TRIMS), technical barriers to trade, anti dumping, subsidies and countervailing duties, etc. regimes, ethics

and consumer. WTO intrudes into domestic regulatory regimes and even food habit of people. It can put restrictions on domestic regulatory choices as well. (www.wto.org).

For instance, the WTO provides that no member can use trade policies to force another member to enforce stronger environmental standards on its territory or in specific production processes. The US ban on tuna imports from Mexico (on the grounds that Mexican fishing boats did not use dolphin friendly nets as required under US regulations) was ruled as illegal by the GATT. This ruling of WTO reinforced the perception that not only did the WTO give preference to trade over environment, but it also forced consumers to accept products into their markets with little regard to the ethical concerns of the importing country.

Trade negotiations have broadened its areas since 1986, when services were included within GATT, which brought domestic rules on foreign direct investment and the entry of foreign personnel directly under multilateral trade rules. Subsequently the areas of services, intellectual property and trade related investment measures have also been widened by 2001; there has been exploration of issues related and the environment for their inclusion in WTO. (www.wto.org)

Each of the international economic institutions is more involved in the decision-making which directly affects local communities, interest groups, national domestic political and economic arrangements and also specific groups of countries. Many of these groups are claiming that international economic institutions should be more directly accountable to them. All the three of the international economic institutions are now working in a World political system in which groups within these institutions and across countries are demanding more account of their work. More accountability is demanded both through governments and directly from the organizations concerned.

These institutions are now facing the challenges of grass root NGOs, who are claiming to represent people whose lives and livelihoods are directly affected by the actions and policies of these institutions. They argue that representation in the international institutions is imperfect and groups rights are not represented well through these.

The actions or policies of international economic organization affect principles, values, future generations and other factors which are not adequately debated in the international system. NGOs argue that they can debate and address issues within domestic politics and at the local level, but international organizations can override their decisions.

There is always a question mark on the accountability and representation of these institutions. Critics point out that it is not clear to whom these institutions are accountable and are they accountable to those groups and people who are directly affected by these institutions. The working of WTO is also partial as pointed out by critics. Formally all the decisions in WTO are taken by member states having equal vote. However in practice the formal equality of one state, one-vote doesn't take place while taking decisions. Decision are often taken by consensus in informal meetings (often called "Green Room" process) which are dominated by the United States, The European union, Japan and Canada. (Jones, 2009) States with large market shares enjoy significant influence over decisions and they can be described as decision makers. While states with smaller market share are described as decision takers. At the international level, international organizations are not structured to represent or to be accountable to the people and groups affected by them.

Representation to these institutions is not direct. Voters do not get to elect their country's representatives to the WTO, IMF or World Bank directly. Instead voters elect domestic politicians who form governments and appoint ministers who represent and choose delegations to represent a country in these organizations. So international economic governance is not representative or accountable.

In each of their international meetings, officials are faced with protesters and demonstrators who claim that the organizations are undemocratic and unaccountable to those they affect.

Economic globalization has provided global competition which has encouraged creativity and innovation in the global market. (www.weforum.org) There is a greater chance for the people to economically succeed and increase standard of living. Developing countries are able to reap the benefits of current technology and governments are able to work together towards common goals. While an influx of foreign companies and foreign capital has reduced overall unemployment and pov-

erty, it has simultaneously increased the gap between the developed and developing countries. There is growing inequality of development across and within nations.

There is now interdependence of economies in regard to trading in goods and services and in movement of capital. So, domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. A globalize economy while formulating and evaluating its domestic policy has to take into consideration the policies and developments in the rest of the World. In this way national governments are constrained in decision making at the national level due to interconnectedness of economy.

Technological Dimension of Globalization :

The technological dimension of globalization refers primarily to the advancement of Information and Communication Technologies (ICT), which has accelerated the interconnectedness of the World. New production technologies are created which have produced efficiencies in production. There is rapid advance of science and technology especially in the areas of - 1. Information and communications; 2. Transportation that allows faster transfer of goods as well as greater interaction of individual between and among countries all over the globe; and 3. Biotechnology which is introducing successful innovations in agriculture and medicine. This phenomenon is referred as “technological globalization”. Technology is one of the leading factors in the evolution of globalization. Information technology is helping further to develop globalization.

New technologies play a fundamental role in making globalization possible. With the help of telephones, aeroplanes, satellites and computers it has become easier to transfer information from one place to another. This has given way to defuse and transfer knowledge the World. Due to new technologies there is emergence of global village. Technology has not only brought closer, but it has allowed the World’s economy to become a single interdependent system. However, the technology revolution has not been uniform in its effects and it defers in different situations depending on the economic, political and cultural situations of different places.

Information Technology revolution has boosted up productivity in the field of services be it banking, education or health. It has immensely reduced the cost of

communication. Information reaches us at a cheaper rate. The Globalization of finance has only been possible due to information technology revolution. The pace of capital mobility and help received by the Global South economies has been possible due to information technologies. The World has been transformed into a single community due to IT and increased transport facility and it has been called a “Global Village”.

Even NGO’s have become more influential these days because they are able to pressurize the authority concerned with the help of internet and media by creating mass support for the particular issue they are lobbying for. Thus events taking place in the some remote corner of the World are getting worldwide recognition. Kegley and Wittkopf (Kegley and Wittkopf, 2008) believed that digital arms race has led to the concentration of and control of intellectual property in the Global North. Some Scholars have pointed out that the information communication technology would create a digital divide with the rich Global North accessing all kinds of technologies and the Global South remaining relatively closed in comparison to the superior kind of technology used in the former. This would aggravate further North- South divide.

Technological innovations in the field of communications have created a more integrated World linked by computers, scanners, internet, satellite, fax machines, cellular phones, instant money transfers, etc. The interconnectedness of people and countries Worldwide has been fastened through various technologies like digitization of words, numbers, texts, manuscripts, pictures, music, etc. Technology has reduced the time and barriers and made foreign trade, investment and technology transfer faster and less expensive.

Due to technological advancement economies are improving, resulting in increase in per capita income of the countries. Technology is key factor in supporting and developing an economy and determining the economic welfare. It has improved the effective use of available natural resources and reduces the cost of manufactured goods. New skills and new opportunities for employment have come up. The accelerating pace of technological change combine with the increased growth of the industries will also increase the importance of education and training.

Advanced manufacturing technologies have altered the patterns of productivity and employment. Improved air and sea transportation has greatly accelerated

the worldwide flow of people and goods. Information technology enables the creation of a host of tools to create, manipulate, organize, transmit, store and act on information in digital form in new ways and through new organizational forms. ICT has been instrumental in enabling the emergence of much more globalized market in goods, services and finances. The extension of market beyond national borders has amplified and accelerated the structural economic and social changes. These changes in the economy and society are brought by globalization through information and communication technology revolution.

Advances in information technology are producing many changes in our society. With medical treatment, there is marked acceleration in the expansion of human life spans along with improvement and qualities of life. Better disease control, genetic therapy, customized drugs, implants and transplants and many other technological advances have improved quality of life. These changes have produced many benefits, but have also raised several concerns. Innovations in IT have created new jobs, promoted the growth of new markets and increased international trade and investment. However, the expansion of IT also introduces increase in costs. Workers in certain sectors of economy lose their jobs as innovations in IT create a greater demand for high tech workers and introduce efficiencies that make jobs obsolete. Another negative consequence of the IT revolution is the inequitable distribution of access to IT, called digital divide.

As technology brings benefits and prosperity through globalization but it has also resulted in the class disparities. It has created real economic disparities both between and within the developed and developing Worlds. Moreover due to poor market system in developing countries economic incentives are insufficient to drive the acquisition of new technology or skills. Globalization is developing at such a rapid pace that less developed countries are left behind in the fields of technology. These less developed countries are therefore more prone to economic and political instabilities.

Globalization has given an opportunity to experience other cultures. Through technological advancement, there is better communication between different people of World and more integration of different cultures. Even though cultural integration is seen as a positive aspect of globalization, some people view it as a loss of cultural identity. With more integration of cultures, there is loss of basic fundamentals of a

particular culture. Many people feel that their cultures are threatened by new ways of living brought about by technology. Even though some technologies can preserve certain cultural values, still it is difficult to prevent cultural change.

Pace of globalization and of technological changes are being interrelated and have mutually enforced each other.

Globalization involves the diffusion of ideas, practices and technologies. It is something more than internationalization and universalization. There are many arguments for and against globalization. Many developing countries fear that increased globalization may lead to loss of control over economic and political decisions and may also threaten their traditions, language and culture.

Some argue that due to globalization poor, peripheral countries have become more dependent. On central economies like USA where capital and technical expertise tend to be located. There has also been a shift in power away from the nation's state towards multinational corporation.

On the other hand proponents of globalization argue that globalization has led to growing competition across the globe. Competition and increased market can lead to specialization and an improved division of labor. With increased production, output and high wage levels, standard of living has also improved. The role and functions of the state have been transformed substantially. The configuration of its responsibilities has changed and this has introduced important modifications both in the policy arena and in the state's requirements for high level and skills, qualitatively. Decentralization, and deregulation are adding to the importance. State is called upon to act as "Linking pin" of processes of planning, consultation, negotiation and decision-making involving diverse actions, state and non state at different levels of governance. The state is now the hub of activities connecting multiple partners and stakeholders from varied fields, regions, cultures, occupations, professions and interests. Over all the challenges of globalization in all its different manifestation will require great co-operative efforts among and emerging power in full consultation.

In brief, to label globalization in absolute terms as either a totally positive or negative phenomenon is a simplistic approach.

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