

Globalization and Matters Arising

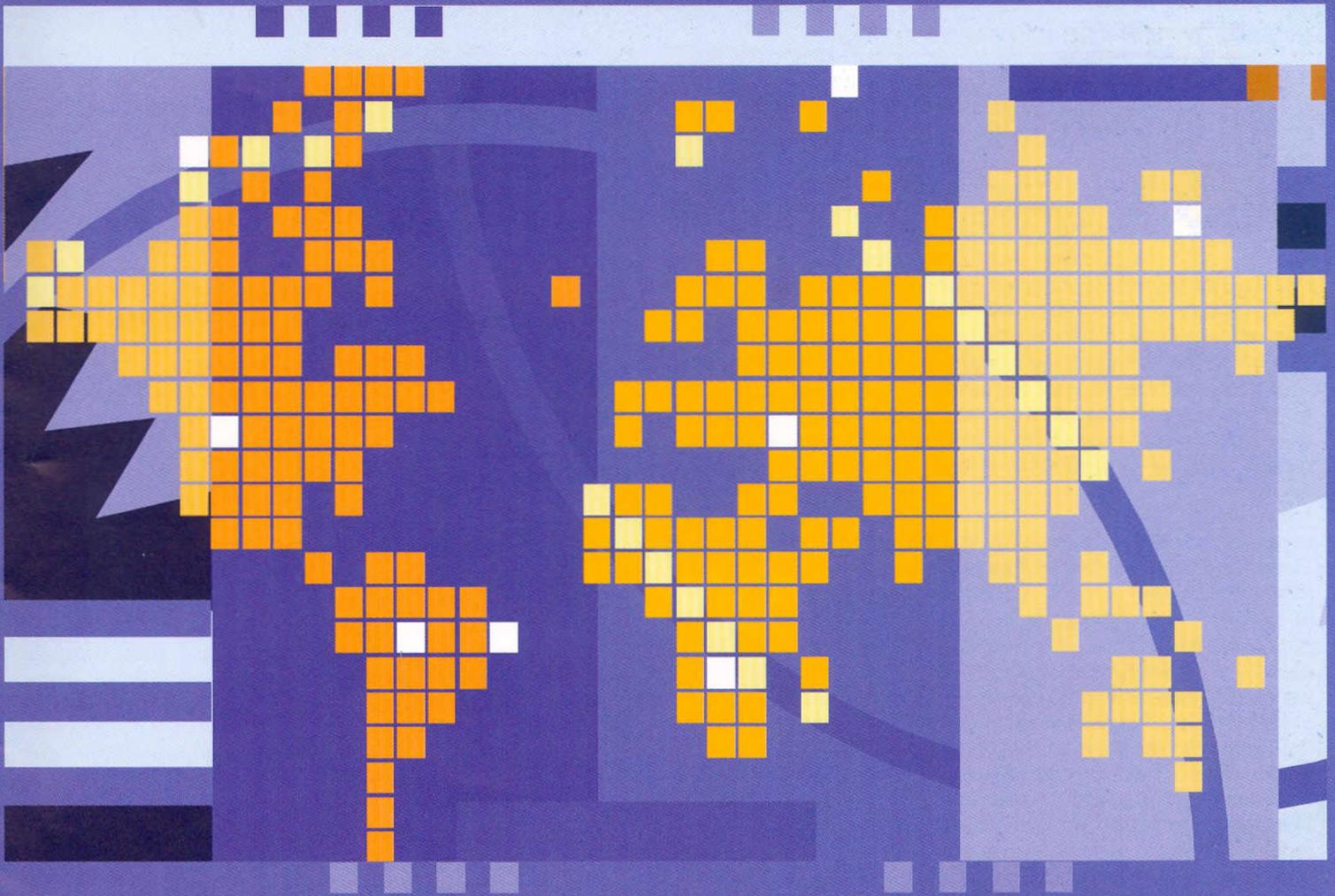
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ABSTRACT

Globalization refers to the rapid global linkages and arrangements of social and economic activities, and the growth of global consciousness that is accelerating the amalgamation of world markets. The trend toward closer associations among social communities, dating back to antiquity, has quickened in recent times resulting in jet airplanes, telephone services, e-mail, computers, huge ocean-going vessels and instant capital flows, that have made the world more interdependent than ever (Friedman 2005).

Multinational corporations manufacture products in many countries and sell to consumers around the world. Money, technology and raw materials move more swiftly across national borders. Products, finances, ideas and cultures circulate more freely. Consequently, laws, economies, and social movements are forming at the international level at a dizzying speed. Many people see these trends as both inevitable and mostly welcome. For many of the world's population, business-driven globalization has brought unexpected and sometimes unjustified prosperity. For others, it has meant uprooting old ways of life and threatened livelihood and cultures (Reinsdorf and Slaughter 2009). This paper examines the positive impacts of globalization on the economy of nations, and the unintended negative effects it is having on poor nations. The hope is to inspire a search for alternative paradigms of globalization that can alleviate the plight of poor nations.

Keywords: *Globalization, Markets, Economy*



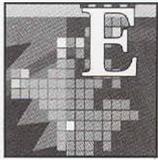
INTRODUCTION

The global social justice movement, a product of globalization, proposes an alternative path more responsive to public need as intense political dispute continue over globalization' meaning and it's future direction. Advance in communication and transportation technology, combined with free-market ideology, have given goods, services and capital unprecedented mobility. Northern countries want to open world markets to their good and take advantage of abundant cheap labor in the South. They use international financial institutions and regional trade agreements to induce poor countries to "integrate" by reducing tariff, privatizing state enterprises, and relaxing environmental and labor standards (Osterhammel and Petersson 2005). These have resulted in enlarged profits for investor in industrialized nations but have offered pittance to laborers. This is provoking a strong backlash from several quarters of society.

Traditionally politics has been undertaken within national political system. National government have been ultimately responsible for maintaining the security and economic welfare of their citizens as well as the protection of human rights and the environment within their borders. With global ecological changes, and ever more

integrated global economy and other global trends, many political activities increasingly take place at the global level. Under globalization politics can take place above the state through political integration schemes such as the European Union and through intergovernmental organizations such as the International Monetary Fund, the World Bank and the World Trade Organization (Murray 2006). Political activities can also transcend national borders through global movements and non-governmental organizations (NGOs). Civil society organizations act globally by forming alliances with organizations in other countries, using global communications systems, and lobbying international organizations and other actors directly, instead of working through their national governments. Technology has now created the possibility, even the likelihood, of a global culture. The Internet, fax machines, satellites, and cable TV are sweeping away cultural boundaries (Wolf 2004).

Globalization can be highly beneficial for all people through increased trade, cultural integration and quicker transmission of information. It does, however, have the potential to be so much more. Globalization can perform at a peak if all countries could be beneficially involved (Tausch 2009).



EXTENT AND COMPLEXITY OF GLOBALIZATION

Idea, good, market economic, and communication technologies are aggressively spreading, often under the control of Western corporation and international business. Most people, specially the young, view the new product and new idea as exhilarating and progressive. Change for many culture may mean escape from oppressive traditions, creating new opportunities for individual to mingle in mutually-beneficial way. While culture should be allowed to develop, there is, however, a genuine cause of concern about the rate at which non-Western culture are being undermined in a world that is bound together by incredibly strong economic tie (Tausch 2008).

Globalization embraces increased trading between nations. "Trade flow increased by 16-fold in the last 50 years as a result of the relaxation of trade barriers. Opening up trade has helped many countries grow far more quickly than they would otherwise have done" (Tausch 2008). This shows that the march of globalization since World War II, trading has increased considerably. There are not many countries that are able to sustain themselves in an insular mold, so they find it logical and a matter of survival to open up their markets to global trade. The more countries trade the more they can compete with the rest of the world (Stiglitz 2006). As countries like China, India and Mexico have opened up, their exports have shifted into manufactured products enabling them to compete head-to-head with many of the products made in richer countries. These are very positive points with which even anti-globalists cannot quarrel. With increased trade, come increased foreign investments and increased information transfer among countries. The transfer of technology, medical advancements and intermingling of ideologies invariably follow. Capital flow and employment also increase from foreign investments (Stiglitz 2002). While this is true for many countries some countries are totally left out from the process.

Some countries in Africa, in the former Soviet Union (FSU) and some parts of Asia are being marginalized from the rest of the world. Two billion people in the world have not reaped the benefits of globalization at all.

There are six billion people in the world. That means the one third of the world, particularly small underdeveloped countries, is suffering because of marginalization. Anti-globalists point to this fact to support their attack on globalization. Supporters counter by asserting that nothing can ever be positive for everyone in the world at the same time and challenge global actors to come up with a more inclusive mechanism that can benefit all (Steger 2003). Globalization, they say, has done so much good in some countries. China has grown richer by freeing its economy and opening up to the rest of the world by embracing international trade and foreign investment (Steger 2002, p. 50-110). "Between 1990 and 1998, the number of Chinese living on less than a dollar a day fell by 150 million. That is the fastest leap in poverty alleviation the world has ever seen (Smith 2007, p. 11-25). This illustrates that globalization has the ability to induce economic prosperity,

increase incomes and reduce poverty.

Globalization for less developed countries has also encouraged faster growth and some poverty reduction, democratization and higher labor and environmental standards. It has also given citizens greater individual freedom to express views and experience cultures through such mediums as television and the internet, which encourage understanding among nations and peoples (Sirkin et al 2008).

With regard to cultural benefits from globalization, optimists point to the growth and spread of new technologies such as the telephone and internet as evidence of positive cultural changes world wide. Cultural differences and changes are the most direct and obvious ways in which most people experience the interconnections of globalization. Available data show that "cultural imports and exports increased by nearly sixfold between 1970 and 1980" (Spradley and McCurdy 2006, p. 25-36). Furthermore, optimists point to the ongoing global trend toward freer flow of trade and investment across borders and the resulting integration of national economies. By expanding economic freedom and encouraging competition, globalization raises productivity and living standards for all (Cowen 2002).

The many beneficial derivatives of business globalization can thus be summarized as follows:

- Productivity grows more quickly when countries produce goods and services in which they have a comparative advantage;
- Living standards can go up faster in many trading partner countries
- Global competition and cheap imports keep a lid on prices so inflation is less likely to derail economic growth;
- An open economy spurs innovation with fresh ideas from abroad; and
- Export jobs often pay more than other jobs (Murray 2006).



GLOBALIZATION AND BUSINESS

In the field of finance, globalization compels managers to make decisions in the shadow of uncertainty. Numerous forces affect international capital markets. As the markets become more and more integrated, changes in one region will initiate chain reactions that can eventually affect all others. One such example is the Asian currency crisis of 1997 and its devastating effect on the world's economy. However, as the world moves toward common standards of financial governance and market valuation, new opportunities have arisen for international financial operations that require financial managers to look for innovative ways to manage risk (Friedman 2005). Every trans-national business transaction will have to address the cultural and legal differences among countries to protect corporate assets and earnings. This requires that the financial manager play a larger role in the company's decision-making process to develop strategies that address these concerns. Globalization from a business stand point should strive toward worldwide investment strategies that can integrate rather than just exploit national capital markets (Reinsdorf and Slaughter 2009).

Globalization has become a crucial part of business structure in many companies throughout the world. To remain competitive, businesses must rely on global economies to expand markets and reduce operating costs. Human resource departments can assist in reducing costs by combining a comprehensive understanding of international labor laws with a global approach to recruiting practices. International searches for specialized talent and skills can open new doors of opportunity for companies as well as creating a more diverse work environment for them (Osterhammel and Peterson 2005).



GLOBALIZATION AND EUROPE

The process of European integration started more than fifty years ago. Motivated by a desire to avoid another nightmare of the 1939-45 period, some European countries felt the need to take some policy direction toward integration of some sort that could spur and maintain peaceful relations among countries in the wake of World War II. There were more arguments for integration.

First, World War II totally ruined the economies of Europe and created the necessity of rebuilding them and the desire to return Europe to its rightful place in the international arena (Wolf, 2004). Second, in view of the division of the world into two political blocs -- the start of the Cold War -- there was a need to create an organization which would be a strong point in international relations. In addition, there appeared many new economic and political problems which demanded international cooperation for their solution.

In the mid fifties, six countries: Italy, France, Germany, Holland, Belgium and Luxembourg started the integration process. The end of the Cold War had opened new possibilities and created new challenges for European policy initiatives. The success of the original European Union of six countries quickly attracted more countries into the fold in an ever-expanding dimension. Very shortly, the European Union will be enlarged by about ten 'new' countries from Central Europe (Tausch 2009). It is obvious that this is going to change this organization in many ways.

Prior to 1993 each nation functioned as a separate market. Since this date, the members have officially unified into one of the largest single world market blocs which today includes 370 million consumers. To facilitate free trade among members, the European Union is working toward the standardization of business regulations and requirements including import duties and value added taxes, the elimination of custom checks, and the creation of a standardized currency for use by all members. Many European nations (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain) have already linked their Exchange rates together in furtherance of a common currency, the EURO, which began circulating in 1999 (Tausch 2008).

The common currency may require many marketers to modify their pricing strategies and will subject them to increased competition. However, the use of a single currency

will free companies that sell goods among European countries from the nuisance of dealing with complex exchange rates (Stiglitz 2006). The long-term goals are to eliminate all trade barriers within the EU, to improve the economic efficiency of the EU nations, to stimulate economic growth, and thus make the union's economy more competitive in global markets, particularly against Japan and other Pacific Rim nations, and North America. However, several disputes and debates still divide the member nations, and many barriers to comprehensive free trade remain. Consequently, it may take several more years before the EU is truly one deregulated market (Stiglitz 2002). As the EU nations attempt to function as one large market, consumers in the EU may become more homogeneous in their needs and wants. Marketers should be aware, however, that cultural differences among the member nations may require modifications in the marketing mix for customers in each nation. Differences in taste and preferences in these diverse markets are significant for international marketers. Such differences may exist even within the same country depending on the geographic region (Steger 2003). Gathering information about these differences is likely to remain a very important factor in developing marketing mixes that satisfy the needs of European customers.

Globalization and economic liberalization pose greater challenges for Europe than for the United States. One reason is that the state plays a greater role in EU economies. State spending in the EU averages 48 percent of Gross Domestic Product compared with only around 36 percent in the United States. Social expenditures average over 25 percent, compared with just 15 percent in the United States (Steger 2002). Europeans are also more attached to equality and collective rights than are most Americans who have a proud tradition of individualism. The problem is further complicated by relatively inflexible European labor markets. EU citizens are almost six times less likely than Americans to move from one region to another and workers are less likely to accept wage or benefit cuts in order to preserve jobs threatened by trade. Finally, many Europeans fear that Americanization - in the disguise of "globalization" - will threaten their local culture (Smith 2007). However, this depends on, first, how careful the state is in regulating global capital flows and trade and how effective the state is at educating and training and re-training its people to take advantage of globalization.



THE DARK SIDE OF GLOBALIZATION

It's pretty well-established that countries at a higher level of economic development are more embracing of globalization, probably because a higher percentage of their populations are positioned to gain from globalization. So, the lower the level of economic development, the fewer the people who gain from embracing economic and financial globalization (Sirkin et al 2008). The Western world has always put its hand into other civilization's cookie jars. For example, in the sixteenth century, Western adventurers made a conscious effort to undermine the cultural heritage of various peoples around the world by imposing different religious and cultural practices on those with a different way of life.

Another example of how the Western world has impacted other cultures is through colonization. Today African culture has been significantly altered because of it. According to Tyler Cowen author of *Creative Destruction*, "Colonialism paved the way for today's cultural globalization by leaving the colonized in a state of cultural disorientation and consequently vulnerable to continuing cultural invasion" (Spradley and McCurdy 2006). The colonized Africans were left with nothing and had lost everything native, so they saw nothing to lose by adopting everything foreign.

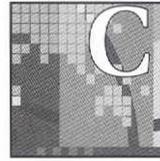
Western culture fuels globalization today and as it did during the age of imperialism and colonization, helps to reinforce the supremacy of the West. Information technology, as the driving force of economic globalization, has also become a veritable instrument for propagating and self-promoting Western culture. Perhaps, by far, the most important far-reaching effect of cultural globalization is the commercialization of culture. Production and consumption of cultural goods and services have become commodities that are the crucibles of cultural creation (Cowen 2002). Furthermore, most people do not experience cultural globalization on terms they have decided for themselves. Culture has become a product. Whether it is music, food, clothes, art, sports, images of age or youth, masculinity or femininity, it can easily be sold in the market place.

The commercialization of culture has a disturbing impact on people, especially those in non-Western societies. What once was an element of their way of life becomes a product, rather than something unique they had made to suit their own specific needs and circumstances. At the same time, people are increasingly bombarded with new images, new music, new clothes and new values. They are taught that the familiar and old should be discarded in order for progress to take place. There was cultural change long before globalization but now there is a danger that much will be lost simply because it is not valued by global markets.

One thing that has increasingly become more valuable on the global markets is sex. In the Dominican Republic, young women have begun migrating to places like Sosa in order to escape their limited and poverty-stricken lives. With hopes of possibly marrying a rich American or European, they sell their bodies for money. However, only a small percentage of women actually make it in the industry of sexual tourism and most are left with nothing more than sexual transmitted diseases in the end (Friedman 2005).

Globalization plays an active role in influencing these young women's attitudes about success, relationships, and opportunities. They are preoccupied "with goods, capital, and opportunities that are outside' because their underdeveloped countries have little to offer them. Because of the state of their countries, few of these women have marketable skills, social skills or support from the father of their children to do any other line of work (Reinsdorf and Slaughter 2009). Most decide to enter sex work because they have very little options or no options at all. "Women from the poorest classes", explains Dianna Brennan, "have no other work options that pay as well as the sex trade with tourists". When it comes down to feeding

their children and ensuring that their family has a roof over their heads, most women make the ultimate sacrifice.

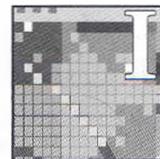


COMMERCIALIZING THE AMERICAN DREAM

The common aspect of the globalized culture is that it pursues the same "one-size-fits-all" ideal. The standard middle-class family, according to the American model, is a space where consumerism is the norm (Osterhammel and Petersson 2005).

The result of this cultural process of homogenization is that a large section of the world's population begins to dream of living like the characters they see in American soap operas. In addition, the dream of living a better life causes thousands of people to move to already overcrowded cities where the majority of these new immigrants will end up in slum quarters leading to poverty, pollution and misery. Refugees and immigrants from developing countries rush to beat a path to the United States and other western countries in search of a better life with more opportunities and freedoms. They come to pursue their dreams of success in nations they have been led to believe will give them instant success. More come each year claiming that they are refugees, who have a "well-founded fear of persecution" in their own countries. The number of people that claim to fit that description and want sanctuary in the United States and other developed countries "has skyrocketed since the end of the Cold War in 1989 to an estimated 12 million in 2003". Over the past decade, the United States has averaged an intake of 87,000 refugees each year. The influx of foreigners into the United States has taken a toll on the country's economy and cultural life (Murray 2006). In some ways, the United States has benefited from their labor and influence, but at the same time many things that make Americans unique have become blended with the cultures of many other nationalities.

Japanese hip-hop is a prime example of how globalization is impacting non-Western cultures. "To fly from New York to Tokyo and see teenagers in both places wearing the same kinds of fashion[s]: baggy pants, floppy hats, and immaculate space-aged Nike sneakers" is more than a little eerie," (Tausch 2009, Wolf 2004). There is even a Harlem in Tokyo, much like the Harlem in New York, which is filled with trendy nightclubs, dance halls, and "love hotels" all of which are dedicated to hip-hop and R&B. According to sociologist, Malcolm Waters, Japanese hip-hop gives us the chance to really examine globalization and what it is doing to the world. He gives the most modern definition of globalization as "A social process in which the constraints of geography on social and cultural arrangements recede, and in which people become increasingly aware that they are receding" (Tausch 2008). In order words, people are increasingly becoming aware that the world is shrinking and will essentially become one place.



IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

From the foregoing discussions and other

research findings, it's obvious that globalization is a growing and self-sustaining trend for the twenty-first century. It is also clear that it has unequal beneficial impacts on the economic, social and cultural structures of participant nations. This inequality calls for new paradigms to mitigate the deleterious effects of globalization on the disadvantaged nations while sustaining its positive impacts on the favored countries. Scholarship and future research should, at a minimum, facilitate efforts as follows:

- Proposing and discussing globalization in ways that reflect its requisite tradeoffs such as economic development and jobs at the cost of environmental degradation and diminished labor protection, and how to manage these tradeoffs in calculating the total cost of global business.
- Schools of business, economics and public administration should consider inclusion into their programs and pedagogies a multi disciplinary focus that can embrace all stakeholders, an understanding of the pros and cons, and an examination of the solutions needed to counteract problems arising from globalization.
- Participating countries in global business should take the initiative and leadership in mitigating the variety of employment-related operational concerns such as vastly different law systems that companies must consider before moving or outsourcing functions or services overseas.
- While acknowledging the benefits of globalization in terms of freer flow of goods services, capital, ideas and skills across international borders, we must find ways to evolve sensible, market-oriented public policies that can result in greater and better national wealth and social/cultural development for all participants in global business.
- As globalization induces nations to have less control over their individual economies and industries in favor of more control by the global network, it behooves the global network to assume more and more responsibility for the welfare of both the individual nations and the global community. Future research should be directed toward the type and form of mechanism needed to address global issues emanating from these control tradeoffs. To this end, transnational regulatory frameworks involving the United Nations, the World Bank, the International Monetary

Fund, World Trade Organization and the various regional trade agreements should be examined.



CONCLUSIONS/LEASONS LEARNED

Globalization is irreversible. It is not possible to stop multinational corporations from conducting business in the countries and regions of their choice. Market economy is what drives these companies. Their main purpose is to survive the global competition. Due to this capitalistic pursuit, national economies have moved down from the number one actor in the development of a nation's economy (Stiglitz 2006). Even though this puts the private sector in control of the world economy, governments are not objecting and are even supporting this tendency. Such global growth improves the national standards and brings legitimacy to the state in the eyes of its people. Trade and investment inequality or the triadization is another effect that is brought upon by global growth. De-linking of the less-developed nations at the present rate may become a problem in the future. These are the important effects that globalization has on the world scene. It is up to humanity to decide whether this trend should be altered. For now the future of the globe seems to be in the hands of the multinational firms (Stiglitz 2002).

In conclusion, cultural globalization destroys diversity because individuals lose their right to choose. It is more a consequence of power concentration in the global media and manufacturing companies than the people's own wish to abandon their cultural identity and diversity. Furthermore, radical undermining and disrespect of people's existing values and cultures has a corrosive impact on their sense of who they are and what they want for their lives. It attacks spiritual values and faith traditions. Africa for one is experiencing a crisis of cultural confidence because many of the people do not believe in themselves any more. Combined with the increased economic uncertainty and crime which global integration often brings (Steger 2003), their nations are failing. This creates real problems for social harmony, whether it is at the level of the nation, the community or the family. Therefore, while globalization may offer shiny new goods to substitute for old faded ones, the market offers no replacement for community solidarity, which is more important than any material item (Smith 2007), and these are the challenges of the global actors.

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