

Unit 20

Economic, Social and Cultural Dimensions of Globalisation

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Learning Objectives

In this unit you should be able to critically analyse:

- the term globalisation and its various features;
- the social and economic dimensions of globalisation; and
- the various cultural processes and relate them to globalisation.

20.1 Introduction

As you know, the theme of Block VI is Globalisation. It is a fact that in the contemporary world there is hardly any social, cultural, economic and political realm which can be said to be impervious by the process of globalisation. Globalisation as an interchange of various attributes among different societies is not a new phenomenon, but an ongoing process. What makes the present day process of globalisation different and distinct from the earlier ones is the rapid increase in the frequency and the density of these interchanges. It is important to learn more about the current pace of the process of globalisation and related aspects. Block VI deals with the process of globalisation and its impact on the notion of development. In this unit the concept and features of globalisation and its various dimensions are discussed. The first part of the unit deals with the very concept of globalisation and how different scholars have defined this concept. Then it goes on discussing the economic, social and cultural dimensions of globalisation in more detail. Each aspect has been elaborated in general and in relation to the Indian situation as well.

20.2 The Concept and Definition of Globalisation

In very simple terms globalisation can be depicted as increasing global interconnectedness. It is a process rather than an outcome, which refers to the trend toward the growing interconnectedness of different parts of the world, not to their being interconnected. It primarily is an interchange of economic, social, cultural, political, technological attributes that takes place between societies when different societies come into contact with each other. Though this interchange is going on for times immemorial, this process was termed as "globalisation" for the first time around the second half of 20th century while much of the literature on this has appeared since the late 1970s and 1980s (Beyer 2003).

Globalisation as an idea of modernisation within the global market was mentioned in the writings of Marx and Saint-Simon also (Cable 1999). Certain scholars even argue that this process of globalisation has been going on since the beginning of mankind and it has affected all cultures, even remote and isolated, though in varying degrees (Griffin 2004). The contemporary globalisation differs from the process that could be observed in the past primarily in terms of the quantum of interchange and inter connectedness. Everything happens much faster today than it did in previous eras. The current process of globalisation, which is popularly described as gradual removal of barriers to trade and investment between nations, was started towards the end of the 20th century. It is said to aim to achieve economic efficiency through competitiveness, while seeking the broader objectives of economic and social development. It touches all spheres of human life; economic, social, cultural, political and environmental.

The most common definition of present day globalisation refers to the growing integration of various countries to the world economy. It results mostly from a freer movement of capital, products and information, which affects not just the economy, but also, as we said earlier, the political, cultural, social and environmental arenas. Different disciplines such as Economics, History, Political Science, Sociology, etc. employ different criteria for elaborating and defining the concept of globalisation. Antony Giddens, a sociologist, defined globalisation as an intensification of worldwide social relations, via which far away places are linked together in such a way that events in one place are affected by a process taking place many miles away and vice versa (Giddens 2000). David Henderson (1999), an economist, views globalisation as a model of fully internationally integrated markets meeting the two conditions of i) the free movement of goods, services, labour and capital resulting in a single market in inputs and outputs, and ii) full national treatment for foreign investors as well as nationals working overseas, so that economically speaking there are no foreigners. For Meghnad Desai (2004) globalisation is the growing reciprocal interdependence and integration of various economies around the globe.

Kenichi Ohmae's phrase "the borderless world" captures the sense of radical progress and modernity and of life beyond the constraints of the traditional nation-state, which infuses much of the popular writing about globalisation (Ohmae 1990). For Richard O'Brian (1992), globalisation essentially refers to a mixture of international, multinational, offshore and global activities and involves a general progression from the domestic to the global. Malcolm Waters (1995) finds globalisation 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. For him globalisation merely implies greater connectedness and de-territorialisation. Scholte (1999) too understands globalisation as a process of de-territorialisation and global relations as supra territorial. For some others globalisation essentially means an intensification of multinational, international and transnational linkages in all spheres of human activity, including trade and commerce, governance and non-government lobbying as a consequence of new communication technology of the contemporary period (Galligan et al 2001). Pieterse (2001) calls the contemporary globalisation as accelerated globalisation. Current accelerated globalisation is shorthand for several major interwoven trends. According to him current accelerated globalisation comes in a package together with i) informatisation, which means the role of information and communication technologies ii) flexibilisation that means changes in production systems towards flexible production, and iii) reconfiguration of states and regionalisation. He views globalisation as a process – the growing interconnectedness of different parts of the world; globalisation as awareness – the recognition of growing interconnectedness (globalisation as subjectivity); and globalisation as project (see Box 21.1) – the advocacy and pursuit of particular forms of globalisation and attempts to manage and steer globalisation in a particular direction.

Box 20.1: Globalisation as Projects	
Globalisation Projects	Agents
Strategic globalism	Super Power Politics, NATO
Corporate globalism	International banks, multinational corporations, transnational enterprises
Economic and financial global management	International financial institutions, WTO, G-7
Developmental globalism	World Bank, UN agencies (UNDP and so on)
Ecological globalism	UNCED, global environmental facility
Media globalism	Media Ind., CNN
Feminist globalism	Sisterhood is global (Nairobi, Beijing, Cairo meeting)
Labour globalism	ILO, trade union internationalism
Islamic globalism	Ulmma politics
Catholic globalism	Vatican (for example, Lumen 2000)
Ecumenical globalism World Council of Churches	Inter religious dialogue, as in the
Consumer globalism (everyday globalism)	Mc Donaldization
Anti-globalism	Localism, new protectionism, delinking

Source: Pieterse 2001

From the above account, it can be concluded that globalisation is a multifaceted, multidimensional and comprehensive phenomenon having its potential impact on a whole range of contemporary social, political, cultural and economic relationships. Now let us try to understand what makes the present day process of globalisation distinct from the past.

20.3 The Features of Present Day Globalisation

Since the Second World War there has been a deliberate selection of a more market-oriented approach by many countries and increased internationalisation of economic activities. This tendency increased significantly in the early 1980s as industrialised countries such as the United States of America and the United Kingdom shifted towards more market coordination of economic activities. Previously socialist countries, bringing their transition to capitalism, followed this trend in the early 1990s. During this period there also has been a widespread adoption of export-oriented development strategy and trade liberalisation (you will learn more about this in later part of this unit as well as in subsequent units of this Block) as a favoured path to development all over the world either by choice or under compulsion by the International Financial Institutions like World Bank and IMF (Pyle and Forrent 2002). This increased the pace of globalisation to a great extent.

As a result there has been faster growth in world output during the past few decades compared to former days. World trade has grown significantly more rapidly than world output and the national economies have become more open and more closely integrated. International capital flows have grown even faster than international trade. Ideas, technologies and cultural attributes are exchanged at a higher acceleration. Contemporary globalisation has led a greater volume of exchanges of goods and services and it has led to a greater variety of things being exchanged. Many goods and services, once non-traded, now

regularly enter the world market. For example, a Japanese architect may design a building in France; marketing services may be transmitted from India to USA or UK, etc. The advancement of Information and Communication Technologies (ICTs) reduced the geographic distance significantly. Technologies such as Internet and mobile phones made it possible for people to communicate anywhere around the globe instantly. This accelerated the growth and development of knowledge society (you will learn more on this in Block VII).

There have also been increased incidences of people migrating for work globally. There is a significant change in the relative power of world organisations during the current phase of globalisation. On the one hand the international financial institutions such as IMF and World Bank as well as WTO – an international organisation to regulate global trade – become more powerful. On the other, global institutions that have focused on more human-centered interests such as United Nations (UN) and International Labour Organisation (ILO) have found their position relegated to the background and their power and effectiveness relatively diminished in the face of global changes (Coicaud and Heiskanen 2001). The more powerful institutions (IMF, World Bank, WTO) have pushed for increased use of markets and less government involvement in economies in order to achieve free flows of trade and investment of funds and less regulation by the national governments. The shift in power of the global institutions is reflected in all spheres of human life.

The current process of globalisation also resulted in the globalisation of national policies and policy-making mechanisms of national governments. National policies including in economic, social, cultural and technological areas, which were till now under the jurisdiction of states and people within a country, have increasingly come under the influence of international agencies and the big private corporations. Under pressure from these international organisations the national governments have had to restructure their economies that demands more thrust in free trade and less spending in social sector. They had to increase taxes or shrink government spending by reducing expenditures on social sectors such as education, healthcare, sanitation, subsidies in housing, fuel, public distribution systems and transportation. The national governments had to dismantle the administered price mechanism applicable to the essential commodities of mass consumption. The externalities associated with globalisation have also had a global impact on the environment, a new set of global 'bads' have been produced, for e.g., global warming, depletion of ozone layer, etc.

The globalisation process received additional impetus in India when she opened up her economy in the early 1990s following a major crisis that led by a foreign exchange crunch that dragged Indian economy close to defaulting on loans owed to international financial institutions. India adopted a New Economic Policy that included the elements of "globalisation", "liberalisation" and "privatisation". The two central components of these neo-liberal policies adopted by the Indian government have been the liberalisation of India's private sector and reform of the public sector. Globalisation integrated the Indian economy with the global economy through reduction in import duties and export restrictions, promotion of foreign investments and permission for free flow of foreign technology and skills, etc. (Buggi et al 2001).

Along with the easing of restrictions on external trade there has also been a removal of some internal restrictions on the movement of commodities. At the same time there has been a considerable loosening of the existing governmental licensing system (popularly called as licence-permit *raj*), especially on private sector firms, as well as the lifting of reservations for many products. The licence-permit *raj* has become a buzzword of the past. The role of the Directorate-General of Foreign Trade has been near non-existent and the near free flow of foreign goods and services has been permitted. The subsidies given to fertiliser and agriculture had to be drastically reduced or withdrawn. A drastic reduction was there in the allocation to poverty alleviation programmes

and health and education. At the same time there has not only been an integration of production globally, but also across the country internally. There has been rapid privatisation of publicly owned companies, of state and community headed resources of hitherto reserved areas like banking and insurance (refer unit 16 for more details). There has been deregulation of labour protection leading to massive growth of contract labour and sub-contracting (Jhabvala and Sinha 2002).

Reflection and Action 20.1

What did you understand by the process of globalisation? Based on your understanding pinpoint any four impact of globalisation in the lifestyle of common people of your locality.

20.4 Economic Dimensions of Globalisation

We have already learnt in the earlier section of this unit that globalisation is a complex and multidimensional phenomenon. Although it makes an impact in all spheres of human life, the economic dimension of globalisation is more prominent and far-reaching than any others. The most important dimensions of the current phase of economic globalisation are the breaking down of national economic barriers; international spread of trade, financial and production activities and the growing power of transnational corporations and international financial institutions. Here in this section the economic dimensions of globalisation will be discussed in terms of liberalisation and privatisation; free flow of trade and services, which includes the origin and functioning of WTO, multilateral trading system and end of national economies; foreign direct investment which includes globalisation of financial markets, transnational integrated production and functioning of multinational and transnational companies; liberalisation in investment; growth of global economy; infrastructural development; development of information and communication technologies (ICTs); outsourcing of services; and Trade Related Intellectual Property Rights (TRIPs).

a) Liberalisation

In general, liberalisation refers to a relaxation of restrictions, usually in areas of social or economic policy. Most often, the term is used to refer to economic liberalisation, especially trade liberalisation or capital market liberalisation; the policies often referred to as neo-liberalism. A major revolution in the policy environment caused by the current phase of globalisation is liberalisation of economic policy, which included the freeing up of markets and reduction in the role of national governments in terms of ownership and control over production of goods and services. The “liberalisation revolution” challenges the legitimacy of many of the activities nation-state governments have performed in the modern (post-1914) world such as running nationalised industries, trade exchange and price controls and monopoly over infrastructure and public services (Strange 1996).

Free market economic policies advocated by neo-liberals in the Western countries, put into practice by Margaret Thatcher in Britain and Ronald Reagan in the U.S. during the 1980s, soon became the official policy of International Financial Institutions (IFIs), which started insisting on the deregulation of national economies and liberalisation in the trade and investment sectors as conditions for the grant of financial assistance or loans to countries the world over. Since the movement of economic forces in the contemporary world is beyond the control of national governments, neo-liberals call for a fundamental restructuring of relations between the state and civil society with the state maintaining a low profile in the area of economic activities which should be governed by the free play of market forces (Banerji 2000). They advocated

free trade, which in modern usage means trade or commerce carried on without such restrictions as import duties, export bounties, domestic production subsidies, trade quotas, or import licences. The basic argument for free trade is based on the economic theory of “comparative advantage” that means, each region should concentrate on what it can produce most cheaply and efficiently and should exchange its products for those it is less able to produce economically.

In India, the pace of globalisation gathered momentum when the then central government (Narasimha Rao government) introduced the package of reforms at the behest of IMF and World Bank aimed at economic liberalisation in June 1991. The roots of the liberalisation programme in India, in fact, may be traced to earlier periods of liberalisation of trade regime in the late 1970s under the Janata government initiative as well as in the industrial policy reforms of the early 1980s introduced by Indira Gandhi and finally in the New Economic Policy fashioned by the Rajiv Gandhi government in the mid-1980s. But these earlier initiatives and their implementation were rather slow compared to Narasimha Rao’s initiative in 1991, which was more ambitious and aimed at freeing the economy from state intervention.

The reforms introduced by Rao’s government included short-term stabilisation measures encompassing devaluation of the rupee, restraint on public expenditure (by reducing subsidies on fertilizer and petroleum), a plan for the reduction of the fiscal deficit and removal of restrictions on the flow of foreign capital to Indian markets. The medium and long term Structural Adjustment Programme (SAP) included a series of measures aimed at liberalisation of trade and deregulation of industry, restricting the ambit of the public sector including disinvestment of equities in profit making concerns and withdrawal of subsidies for the loss making ones, reforms of the financial sector and the tax systems and measures to facilitate foreign capital flows (Byres 1998).

The main features of the liberalisation policy of Indian government have been:

- General reduction in the role of the state in economic governance;
- Withdrawal by the State from some economic sectors and its replacement by the private sector;
- Decline in the government/public sectors in basic and key industries, banking, insurance and other public sector undertakings;
- Decline in the role of the State in provision of public social services like education, housing and health;
- Future development through wider participation of the private sector and hence more dependence on the market for the exchange of goods.

b) Privatisation

Along with the liberalisation of the economy in the 1980s the neo-liberals of the U.K. and the U.S also advocated the privatisation of industries and services to make enterprises more competitive and efficient so as to meet the challenges of the global economy. The U.K. privatised 80% of its public sector by the 1980s (Mandel 1993). Privatisation largely means selling of public owned assets to private ownership by stages. Privatisation can be done using any or all of the following techniques:

- Public offering of shares - all or part of the shares of public limited company are offered for sale to the public;
- Private sale of shares - all or part of the state-owned enterprise is sold to private individual or a group of purchasers;
- New private investment in a state-owned enterprise - private share issues are subsidised by the private sector or the public;

- Entry of the private sector into public sector - private groups allowed to get into areas reserved for the public sector, such as the power and telecommunications sectors in India;
- Contracting out the services and utilities to private operators or contractors for operation and maintenance, while retaining ownership with the government. Like water supply, sewage treatment, etc.;
- Sale of government or state enterprises' assets as private sale instead of shares;
- Reorganisation or fragmentation of subsidiary units of a company;
- Management/employee buy-out - in which the management or the employees acquire the controlling interest in which shares are purchased on credit extended by the government.

With the aim of privatising the economy, the Indian government adopted various measures in the 1990s. Initiatives such as abolition of licence *raj* for deregulation of the industries, scrapping of legislations such as MRTP and FERA, approval for 100% equity for NRIs, streamlining of approval committees, disinvestment in Public Sector Undertakings (PSUs), and reference of sick industrial units to Board of Industrial and Financial Reconstruction for rationalisation were meant for more and more privatisation of the Indian economy.

c) Foreign Direct Investment (FDI) and Globalisation of Financial Market

Foreign Direct Investment (FDI) is money invested in production by a foreign party rewarded with part-ownership of production. Of the three important aspects of liberalisation - finance, trade and investment - financial liberalisation has been the most pronounced. During this globalisation era there has been progressive and extensive liberalisation of controls on financial flows and markets leading to economic globalisation. Economic globalisation and financial liberalisation centres on the movement of capital of which FDI was a major form.

From the beginning of the 1980s, FDI flows have grown much faster than the world output or trade or domestic fixed investment. The growth of FDI in the 1990s was enormous. The initial burst of FDI in the late 1980s was almost entirely in developed countries (over 80% of the total) and predominantly from five leading developed countries (over two thirds). In the 1990s developing countries began to attract substantial FDI and there has been genuine geographical broadening of FDI. Since early 1990s, FDI flows to the developing countries have raised relatively averaging 32% of the total in 1991-1995 compared to the 17% in 1981-1990. This was due to the liberalisation of foreign investment policies in most of the developing countries during the 1990s (Khor 2001). Private capital flows for direct investment and portfolio investment for developing countries have grown from \$ 25 billion in 1990 to \$150 billion in 1997 (Parikh 1999). Also, during this period there have been qualitative and quantitative changes in the world of international integration of global markets through the medium of FDI. The FDI explosion of the 1980s characterised by the investment inflows within the triad of EU, Japan and North America shifted in the 1990s to the non-OECD (Organisation of Economic Co-operation and Development) countries as well. The flows were accounted by Asian countries (China, Singapore, Malaysia, Thailand, Indonesia), Latin American countries (especially Mexico, Chile, Argentina and Brazil) and Eastern European countries. There had also been a growth of major corporate alliances at global level during this period. FDI remained mainly market driven and they dominated service sector.

However the flow of FDI even among developing nations was not uniform. Much of this FDI has centred on only a few developing countries. Least developed countries in particular were receiving only very small FDI despite

having liberalised their policies. There were some negative impacts of these private capital flows. There was a general and increasing concern about the fragility and vulnerability of the system due to the interconnectedness of financial markets and systems and the vast amounts of financial flows. These were the risk of a breakdown in some critical parts or in the general system itself, as a fault developing in one part of the world or in the system can have widespread repercussions. These concerns were heightened by the East Asian financial crisis that began in the second half of 1997 and spread to Russia, Brazil and other countries, causing the worst financial turmoil and economic recession in the post-World War II period.

Nonetheless in the 1990s a consensus gradually emerged around the globe that foreign capital, if utilised properly, can contribute significantly to economic development. The same was true with India. The largest proportion of FDI approvals in India has been in the infrastructure and core sectors such as power, telecommunications, energy exploration, and chemical and metallurgical industries. India followed a case-by-case approach in approving FDI. FDI in India depends on the assessment of India relative to other countries on several fronts. The main considerations are the political stability and credibility of reforms, the state of the infrastructure, especially power, transport and communication, national policy regime, speed and transparency in implementation of government policies, labour market conditions and the intellectual property rights issue (Ray 2000). FDI in India is permitted under the following forms of investments.

- through financial collaboration;
- through joint ventures and technical collaboration;
- through the capital market via Euro issues;
- through private placements or preferential allotment.

FDI is not a one-way process. In the open market system Indian companies are also going global through joint ventures abroad. India's export in the year 2001-02 was to the extent of 32,572 million. Many Indian companies have started becoming respectable players in the international scene. Agricultural products, marine products, cereals, oilseeds, tea, and coffee are some prominent products that India has been exporting.

Reflection and Action 20.2

With the help of two examples explain foreign direct investment in Indian context. List three advantages and disadvantages of FDI on local economy.

d) International Trade Regulatory Body - WTO

After the Second World War, steps were taken by countries around the globe to regulate world trade by proposing to set up an International Trade Organisation (ITO) along the lines of the International Monetary Fund (IMF) - a world body to facilitate international liquidity; and the World Bank - a sectoral lending institution (see Box 20.1). When ITO could not materialise due to various reasons, 23 nations around the globe agreed to continue trade negotiations that were eventually incorporated in the General Agreement on Tariffs and Trade (GATT), which formally came into existence in October 1947. This increased the role of trade during the post-World War II period. This was accompanied by the reduction in tariff barriers gradually both in developing and developed countries due partly to autonomous policies and partly to the series of multilateral trade rounds under GATT. In the eighth round of GATT negotiations popularly known as Uruguay Round, the contracting parties agreed to establish the World Trade Organisation (WTO) to undertake multilateral trade negotiations.

Box 20.2: The Bretton Woods Institutions

The Bretton Woods Institutions are the World Bank and the International Monetary Fund (IMF). The creation of the World Bank and the IMF came at the end of the Second World War. They were set up at a meeting of 43 countries in Bretton Woods, New Hampshire, USA in July 1944. They were based on the ideas of a trio of key experts - US Treasury Secretary Henry Morgenthau, his chief economic advisor Harry Dexter White, and British economist John Maynard Keynes. They wanted to establish a postwar economic order based on notions of consensual decision-making and cooperation in the realm of trade and economic relations. It was felt by leaders of the Allied countries, particularly the US and Britain, that a multilateral framework was needed to overcome the destabilising effects of the previous global economic depression and trade battles. Their aims were to help rebuild the shattered postwar economy and to promote international economic cooperation. The original Bretton Woods agreement also included plans for an International Trade Organisation (ITO) but these lay dormant until the formation of World Trade Organisation (WTO) in 1995.

Source: <http://www.brettonwoodsproject.org>

The World Trade Organisation, which came into being on 1st January 1995 replacing GATT, is an international organisation setting out the global rules of trade between nations. Whereas GATT was a bilateral agreement WTO is a organisational set up, which means any decision of the organisation is applicable to all the member nations. The stated aim of WTO is to provide a global decision making structure of setting and enforcing rules in relation to international trade. The WTO secretariat is based in Geneva. Its main function is to ensure that international trade flows smoothly, predictably and as freely as possible. In 2005, 148 countries are members of WTO accounting for 97% of the world trade and more and more countries are compelled to be members of WTO. Decisions are made by the entire membership of WTO and the agreements have to be ratified by the parliament of each and every member nation. The WTO's top-level decision-making body is the Ministerial Conference, which meets at least once every two years. The fifth WTO ministerial conference was held in Cancun, Mexico, in September 2003.

The main functions of WTO are:

- Administering trade agreements;
- Maintaining a forum for trade negotiations;
- Handling trade disputes;
- Monitoring national trade policies;
- Technical assistance and training for developing countries; and
- Cooperation with other international organisations.

WTO became an important player in regulating global trade. It became more significant to have a world trade regulatory body as trade liberalisation gradually increased during the 1990s. The share of world exports in world GDP rose from about 6% in 1950 to 12% in 1973 and to 16% in 1992 (Nayyar 1997). WTO trade agreements are mainly in goods, services, intellectual property, dispute settlement and policy review. Trade agreements in goods deal with all aspects such as lower customs duty rates and other trade barriers as well as with specific sectors such as agriculture and textiles and specific issues such as state trading, product standards, subsidies and actions taken against dumping. The service sector includes banks, insurance firms, telecommunications, tour operators, hotel chains and transport companies. All these now enjoy freer and fairer trade. The intellectual property agreement amounts to rules for trade and investment in ideas and creativity. The WTO system encourages countries to settle differences through consultations. Countries bring disputes to WTO if they think their rights under the agreements are being infringed.

The trade policy review mechanism of WTO proposes to improve transparency in national policies of individual countries (for more details refer unit 23).

The WTO has a range of rules designed to prohibit “trade-related investment measures” (TRIMs), including many of the ways in which national governments might seek to develop industry and investment policies to assist the development of industries and firms. The WTO rules in relation to “trade related intellectual property” (TRIPs) provide unprecedented protection in the areas of copyright and intellectual property rights.

The existing agreements of the national governments with WTO require domestic legislation and policies of member states to be altered and brought into line with it. Non-compliance can result in trade sanctions being imposed against a country’s exports through the dispute settlement system, thus giving WTO a strong enforcement mechanism. Thus national governments have to comply with the disciplines and obligations in the wide range of issues under the purview of WTO. The functioning of WTO promotes the empowerment of the market or the minimal role for the State and rapid liberalisation.

India is a founder member of GATT and its successor the WTO. India's participation in an increasingly rule based system in the governance of international trade is claimed to ensure more stability and predicability, which may lead to more trade and prosperity. By being a member of WTO India automatically avails most favoured nation and national treatment (refer unit 23 for more details) for its exports to all WTO nations. India made necessary legislative changes to implement WTO standard intellectual property laws in the year 2005, although after showing initial resistance.

e) Multinational and Transnational Companies and their Functioning

The deregulation of economies and financial markets led to a sharp increase in financial transactions across national boundaries. The process of globalisation has brought to the fore a new set of international actors - the multinational corporations (MNCs). The MNCs are often described as corporate giants. The annual turnover of certain MNCs is equal to the combined GDP of a few countries (Kurian 1994). These institutions have financial activities in different countries simultaneously. During the 1990s the process of globalisation intensified the activities of the MNCs across the world.

This process further intensified towards the end of the 20th century resulting in a larger concentration and monopolisation of economic resources and power by transnational corporations, a process Martin Khor (2001) calls transnationalisation. Here fewer and fewer transnational corporations are gaining a large and rapidly increasing proportion of world economic resources, production and market shares. Where a multinational company used to dominate the market of a single product, a big transnational company now typically produces or trades in multitude of products, services and sectors. Through mergers and acquisitions, fewer and fewer of these TNCs now control a larger and larger share of the global market, whether in commodities, manufactures or services.

Box 20.3: Multinational or Transnational Companies

Multinational companies, also known as transnational corporations depending on nature of operations, are a very important feature of the modern, globalised economy. A multinational company may be defined as one, which operates in a number of countries and has production or service facilities outside its country of origin. The history of multinational companies could be said to have begun with the founding of the British East India Company in 1600. Since the end of the Second World War there has been a rapid growth of such companies. According to United Nations estimates, there are 5,000 companies with direct investments outside their headquarters country. The 100 largest of them account

for about 40 per cent of cross-border assets. It is possible that they account for about one-quarter of world trade. Much trade is intra-company trade, i.e., taking place between different branches of the same company.

There are a number of reasons why companies decide to become multinational by investing in overseas operations. There may be a desire to have production facilities nearer to the market or the source of raw materials in order to keep down transport costs. If a country has high tariffs on imported goods, establishment of a factory in that country may be seen as a way of obtaining tariff-free access to that market.

Although multinational companies, like all businesses, are primarily motivated by a desire to make profits, their establishment of production facilities in developing countries may be both beneficial and detrimental to the peoples of such countries in certain ways. It may be beneficial, for example, in terms of a) creation of jobs, bringing in improved technological process and thereby higher labour and environmental standards, provide revenue by way of paying taxes, etc. It may be detrimental by way of a) influencing the policies of the host governments, b) providing vulnerable and exploitative labour conditions for making maximum profits, c) repatriating their profit to the home countries rather than reinvesting in the host nation, d) driving small scale companies out of business e) evasion of taxes, f) violation of human right and damaging the environment, etc.

Source: www.curriculumonline.gov.uk

Other than liberalisation, privatisation and other trade related aspects there are some additional economic avenues, which reflect the impact of globalisation process. Let us discuss some of them.

f) Infrastructure Development

The current phase of globalisation warranted for the world countries faster and large-scale development of infrastructure to facilitate industries dependent on import and export as well as to become more competitive in the world market. For example, India needed to develop port facilities if it is to be internationally competitive. The total handling capacity of Indian ports during the mid-1990s was 190 million tonnes of trade annually, which was far less than individual ports abroad such as Singapore. Also, container-handling rates were much lower than the international rates (Gordon 1997). This shows that India needed massive investments in road building, development of port facilities and in power and telecommunications sector to attract more and more foreign trade. In the mid-1990s the Indian government estimated a total spending of 200 billion dollars over the next one decade in infrastructure development. To meet this requirement the government drew funds from the private sector and from overseas investors and with this aim, it opened power, telecommunications and transport sectors to foreign direct investment.

g) Expansion of Information and Communication Technologies (ICTs) and Birth of Information Age

One of the striking aspects of contemporary society is the rapid development of the information technology for application in different areas of electronic activities with significant implications. If we analyse the progression of global economy we can see that since the 19th century, the story of the global economy has been a regular succession of leading commercial and industrial sectors (Modelski and Thompson 1996). From mid- nineteenth century onward, the leading sectors were electric power, chemicals and steel. The industries that took off after 1914 were electronics, including telephones, radio and then television and autos plus oil and rubber. Since the 1970s, leadership in the global economy has begun to shift to another set of industries, one that combines computers, the television, the (digital) telephone and other communication tools, which can be collectively called as information industries. Prominent among these are the computer industry, composed of several

subsections including large, hard and software sectors; the revitalised telephone industry transformed into telecommunications with such new sectors such as cellular, wireless and cable and multifaceted ever changing media complete with their content providers and distributors. Alvin Toffler in *The Third Wave* (1980) describes three periods of economic evolution: the Agricultural wave that lasted from 8000 B.C. to the mid-eighteenth century, the Industrial wave which lasted until the late twentieth century and the information wave which began in the 1960s and will last for many decades to come. According to him the first wave was driven by physical labour, the second wave by machines and blue-collar workers and the third by information technology and knowledge workers.

The contemporary speed of change, the enlargement of capacity for information transmission and the proliferation of communications media are very different from what has been experienced in the past. The extraordinary explosion of both technology and information has considerably reduced the twin concepts of time and space. In particular Information and Communication Technology (ICT) has emerged as perhaps the most dominant force in the global system of production although with significant ramifications in all other spheres of contemporary human existence (Kacowicz 1999). Improved communication reduced effective distance for the transmission of information. International telephone and fax traffic has become largely instantaneous, cheap and simple for individuals to access. The Internet provides a genuinely global system of communication and information. Satellite and cable TV and VHF radio have created an abundance of choice in news and entertainment. The augmented expansion of information technology in the past few decades resulted in a phenomenal growth of “outsourcing” of service in the world over.

During the third wave the process of information handling, transmission, storage and retrieval became the key to prosperity and qualitatively different way of life. Success in just about in any field has become impossible without information technology. In farming, manufacture, education, policing, medicine, entertainment, banking or whatever IT is apparently set to change everything that human beings do in advanced societies (Lyon 1988). Beginning of computing with tele-communications is considered to spell the start of the new age of information and communication age. Daniel Bell (1976) forecasts vast expansion of information technology and foresees major social changes resulting from the establishment of new tele communications infrastructure and he called it information society. Bell argues in the information society information technology shortens labour time and diminishes the production worker and actually replaces labour as the source of added value in the national product. Here the knowledge and information supersede labour and capital as the central variables of the economy. To Peter Drucker (1988) information society is post-capitalist society in which capitalists and proletarians are replaced by knowledge workers and service workers. And the economic challenge of this society is the productivity of knowledge work and knowledge worker.

Reflection and Action 20.3

Do you think the penetration of information and communication technology such as television, mass media, telephone, Internet etc. changed the parameters of kinship relationships? Discuss.

h) Outsourcing of Services

In a more and more globalised world, information and communication technologies became the backbone of the business world and there was a rapid growth of the information technology enabled services (ITES) around the globe. This sector became a major part of the IT industry. Business Process Outsourcing (BPO) forms an important part of the ITES industry. Outsourcing

is required in different areas like Finance, Health, Accounting, Human Resources of companies, etc. "Outsourcing" is the process through which one company hands over part of its work to another company, making it responsible for the design and implementation of the business process under strict guidelines regarding requirements and specifications from the outsourcing company. Thus BPO takes a set of activities and takes on the responsibility of reengineering the entire way the operation is done. This process is beneficial to both the outsourcing company and the service provider, as it enables the outsourcer to reduce costs and increase quality in non-core areas of business and utilise their expertise and competencies to the maximum.

The BPO services includes:

- a) Customer Service Interaction including Call Centers
- b) Back Office operations/Banking/Revenue/Accounting/Data Conversion/HR etc. - Verticals such as banks and aviation require large-scale data processing and data based decision-making capabilities. Raw data and or paper documents are sent to remote locations (IT-enabled destination) where data entry and necessary reconciliation is carried out.
- c) Transcription Services - Medical transcriptions involve the transcribing of medical records from audio format or dictated by doctors or other healthcare professionals into either a hard copy or electronic format.
- d) Content Development/Animation etc.
- e) Data Research, Market Survey, Consultancy, Management etc.

BPO Opportunities in India

The BPO industry is built around the policy of efficiency and cost-effectiveness. In the contemporary period companies are increasingly outsourcing select business functions and related IT operations to expert partners. India's abundant skilled manpower has made it a target destination for multinationals to back end their operations in India. With the advantage of English speaking population, low cost manpower and quality service, many companies are increasingly outsourcing their operations to India. India ranks high in areas such as qualifications, capabilities, quality of work, linguistic capabilities and work ethics, and thus is ahead of competitors such as Singapore, Hong Kong, China, Philippines, Mexico, Ireland, Australia and Holland, among others. Indian companies have unique capabilities and systems to set, measure and monitor quality targets. In specific ITES categories, Indian centers have achieved higher productivity levels, for example, the number of transactions per hour for back office processing, than their Western counterparts. Also, India is able to offer service without break and reduction in turnaround times by leveraging time zone differences. India's unique geographic positioning makes this possible (<http://www.indiainfoline.com>).

The opening up of telecom sector in 1994 encouraged liberalised private participation in IT sector. This allowed the flourishing of BPO industry in India. Many state governments in India now offer incentives and infrastructure to set up IT enabled services. The new telecom policy of 1999 brought in further changes in telecom industry, which also ended the state monopoly on international telephoning facilities. This in turn heralded the golden era for ITES and BPO industry and leading to a spectacular growth of inbound/outbound call centers and data processing centers in India. The ITES industry, of which BPO forms a very important part, is expected to be a \$17 billion industry in India and generate over 1.1 million jobs by 2008. The sector has grown by 73% during the last fiscal and recorded revenues of Rs. 7,100 crore (NASSCOM).

Reflection and Action 20.4

Do you think women are more favoured by the BPO opportunities in India? If so why?

i) **Trade Related Intellectual Property Rights (TRIPS)**

A major problem that inventors faced for most of the 19th century, a period of rapid technological progress, was the absence of international regulations governing patent protection. While individual countries had quite effective patent laws and regulations, they varied from one another. Inventors had to apply for patents simultaneously in many countries so that an application for a patent in one country would not make it ineligible for the grant of a patent in all others, because it had lost novelty (Abraham 2001). By patent it means a convention granted by the State to protect the interest of the inventor/investor of a product.

According to the U.N., a patent is defined as a statutory privilege granted by the government to inventors and other persons deriving their rights from the inventor for a fixed period of years to exclude other persons from manufacturing, using or selling a patented product or from utilising a patent method or process (Baxi 1992). Through an international treaty, the Paris Convention for the Protection of Industrial Property, 1883, already existed; in the accelerated pace of globalisation and highly competitive atmosphere MNCs/TNCs demanded more security to their products. As a result the Agreement on Trade related Intellectual Property Rights (TRIPS) was negotiated as a part of the Uruguay Round of GATT and it became effective from the day WTO was formed, i.e., 1st January 1995.

With India becoming a signatory to the WTO agreement, it became obliged to follow the TRIPs regime. Till then India was governed by the Indian Patents Act, 1970, which permitted only process patents. The same product, for example a drug, can be produced by a number of alternative processes, each somewhat different from the rest. This made possible for Indian companies to produce any patented product, patented in other countries as well, following a slightly different process, without violating the patents' right under Indian law. This would no longer be possible under the WTO regime as India being a member will have to amend the patent law to allow both product and process patent. However, developing countries like India, which did not have product patent have been given time till January 2005 to amend their patent law. The amended Patents law was passed in the Indian Parliament on 22nd March 2005.

20.5 Social Dimension of Globalisation

It is strongly refuted that the current pace of globalisation reflects on the economic front only. The ramifications of globalisation process reflect directly in the social and cultural arena of human life as well. Consequently understanding social and cultural dimensions of the phenomenon of globalisation is essential to the development of a rational and considered response to it. The social dimension of globalization refers to the impact of globalisation on the life and work of people, on their families and their societies. Concerns and issues are often raised about the impact of globalisation on employment, working conditions, income and social protection. Beyond the world of work, the social dimension encompasses security, culture and identity, inclusion or exclusion and the cohesiveness of families and communities etc. In this section let us see some of the social dimensions of globalisation.

a) **Withdrawal of National Government from Social Sector**

The liberalisation of the economy resulted in a general reduction in the role of the State in economic governance. The reduction in the government's economic role reflected in a decline in the public spending. Total government expenditure in India in public spending increased at a per annum rate of 11.0% during the 1960s, 7.1% in the 1970s, 6.46% in the 1980s, but it declined to a per annum rate of 4.7% in the 1990s. The consequence of the reduction in the role of the government and the public sector and its replacement with private sector means that the access of people to employment, capital and social

services like education, housing and health services will be much less. The structural adjustment policies of the national government involving the relinquishing of economic activities from the public sector into the hands of the private sector, i.e., the state moving away from economic planning and leaving economic decisions to the market, will result in the withdrawal of social protection to the public. Reducing social benefits in order to reduce payroll fringe costs to increase competitive ability leads to “social dumping” which means a process that lowers production costs through low wages and substandard social conditions.

In India the social sector expenditure as a proportion to GDP had been stagnant in the 1990s and there had been a definite shift away from rural development (Dev and Mooji 2002). The share of health expenditure had been stagnant and that of education had been declining. The government is further trying to reduce the size of current expenditure by reducing expenditure on pensions, subsidies etc.

Box 20.4: Social Dumping

The industrial countries often accuse the governments of less developed countries of practicing social dumping in the sense of maintaining an underdeveloped welfare state to create a competitive cost advantage for their own industries. In particular they argue that the less developed countries deliberately neglect legislation for good social standards in terms of social fringe benefits, protection against injuries, pension schemes, co-determination rights and the like. To stop the seemingly unfair competition resulting from social dumping, they postulate an international harmonisation of social conditions and sometimes they even advocate retaliatory trade restrictions to enforce harmonisation. For example, restricting the import of carpets from India that are made by child labour. But at times the developed countries, in order to protect the interests of their industries, take it as a tool to restrict import from less developed countries where labor is comparatively cheap and hence the production cost, which enables the less developed countries to take over the market in developed countries with comparatively lesser priced products.

b) Labour Reforms and Deteriorating Labour Welfare

Deregulation and privatisation of state enterprises have been key components of structural adjustment programmes introduced by International Financial Institutions as conditionalities attached to aid packages to developing countries and for the acceleration of economic liberalisation. Labour market deregulation has been an important feature of the structural adjustment programme. There has been explicit deregulation, whereby formal regulations have been eroded or abandoned by legislative means, and implicit deregulation whereby remaining regulations have been made less effective through inadequate implementation or systematic bypassing. Such deregulation has been based on the belief that excessive government intervention in the labour market through such measures as public sector wage and employment policies, minimum wage fixing, and employment security rules is a serious impediment to adjustment and should therefore be removed or relaxed. States around the world has felt compelled to ease labour standards, modify tax regulations and generally relax standards of security and oversight in the bid to attract more and more FDI. This progressively lowered labour standards. The big corporate companies like TNCs and MNCs have evolved a vendor system of subcontracting for their production. The companies give out their work to labourers, through contractors, who in turn deliver the output to the company. This results in job insecurity of the labourer and worsening of labour welfare since there is no checking system for their welfare.

The current pace of globalisation also results in casualisation or informalisation of the work force causing low wages for labourers and less job security, although

it created employment opportunities to some of the work force. The growth of the informal sector means that the traditional employment related benefits and mechanisms of protection are not available to those employed in this sector. Increased mechanisation and use of new technology demand more skilled labour and displace unskilled labour. The new technologies and fast changing market - the resultant features of globalisation - also tend to make existing skills obsolete and require upgradation, new skills and multi-skilling. It also opens up new markets, which workers can reach by adapting existing or traditional skills.

Liberalisation of the economy has in some sectors caused loss of employment without creation of new employment. Opening up of the market and free flow of trade and low tariffs encouraged flow of foreign goods lowering the employment opportunities of Indian labourers. For example, thousands of silk spinners and twisters of Bihar have totally lost their job due to the import of China-Korea silk yarn as weavers and consumers prefer this yarn because it is somewhat cheap and shiny.

Reflection and Action 20.5

Analyse the impact of globalisation on labour conditions in India.

c) Feminisation of Labour

Women have entered the labour force in large numbers in countries that have embraced liberal economic policies. Industrialisation in the context of globalisation is as much female-led as it is export-led (UN 1999). The overall economic activity rate of women for the age group 20-54 approached 70% in 1996. The highest absorption of women has been witnessed in the export oriented industrial sector. This is especially the case in the export processing zones and special economic zones and in those labour intensive industries that have relocated to developing countries in search of cheap labour (Hillary 1999). Investors have demonstrated a preference for women in the soft industries such as apparel, shoe- and toy-making, data processing, semi-conductor assembling industries that require unskilled to semi-skilled labour. Nevertheless this did not ensure a better status for women in any way. The informal sector where women were absorbed in large numbers along with globalisation offer very poor labour conditions. Such industries where women were mostly engaged happened to be highly labour intensive, service oriented and poorly paid. In many countries workers in the export processing zones find unionisation and collective bargaining nearly impossible. In call centres in India women comprise an estimated 40% of the workforce.

d) Poverty

Opening up of economies was primarily visualised as a mechanism where trade would function as "an engine of growth" and the fruits of growth would "trickle down" to the poor. However, the results have been mixed, with many countries observing widening inequalities in their economies, contrary to the conventional trade theory prescriptions (Bardhan 2003). The internalisations of trade has opened up vistas for globalisation of production, creating profound changes in the labour market, such as widening wage disparity, increasing contractualisation of work, skill-based segregation of work, etc. The globalisation and liberalisation policies resulted in impoverishing more and more people of the lower strata the world around. Industrialisation and genetic engineering of food and globalisation of trade in agriculture accelerated poverty in the agriculture-based nations of the world. The globalisation of non-sustainable industrial agriculture adversely affected the incomes of the farmers of the developing and least developed countries through a combination of devaluation of currencies, increase in costs of production and a collapse of commodity prices, all resulting from the liberalisation of the economy.

In India the first generation reforms concentrated on the industrial economy and the agricultural and rural sector were neglected. In the urban sector the large metropolitan cities are the most immediately affected from liberalisation and globalisation, with significant changes in land use and work patterns. The claims made in the beginning of reforms that they are going to bring about employment growth does not seem to be true after studying the data for the post-reform period (Chadha and Sahu 2002; Sunderam 2001).

Economic liberalisation and globalisation had a direct impact both on rural and urban poverty. The substantial changes the institutional arrangement for rural credit, a key factor in helping the poor to escape poverty, due to the reforms in the banking sector have gone against the interests of the rural poor. The unsustainable development practices also lead to the impoverishment of the poor. The decline in social sector expenditure or stagnation in social sector expenditure in proportion to GDP also went against the interests of the poor. In urban areas, the large scale private investment, both foreign and Indian, led to the acquisition of city lands which in turn affected the poor, mainly slum dwellers, hawkers, destitutes, street dwellers as they were pushed out of the city to the peripheries which are marked by degeneration with low value employment and poor living conditions.

e) Unsustainable Development Practices

Sustainable development is defined as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Under this definition development is not just limited to economic growth but is made to encompass environmental protection, and an equitable distribution of wealth and resources with the goal of improving and raising the standards and quality of living for everyone. The development practices followed the world over during the globalisation era marked by a high level of market competitiveness often seemed to follow unsustainable development practices.

For instance, in India the replacement of native seeds by imported hybrid seeds or cash crops resulted in more and more exploitation of ground water through tube-wells since these crops need more water. The over exploitation of the groundwater in turn resulted in the depletion of ground water level leading to famines and poverty. The high yielding hybrid seeds are vulnerable to pest attacks resulting in more use of pesticides. The indiscriminate use of chemical-based fertilizers, especially subsidised fertilizer, has created an imbalance between the essential mineral contents such as Nitrogen and Pottasium. There is a growing realisation of the degradation of land, water and environment due to the current pattern of agricultural production and its sustainability among the people (Chand 1999). The export oriented policy of the Indian government in the fisheries sector opened up the waters of the Exclusive Economic Zone to MNCs and TNCs for fish trawling. This resulted in the indiscriminate destruction of the marine eco system and the livelihood of the traditional fishing community.

Box 20.5: The Case of Plachimada Coco-Cola Company in Kerala, India

United States multinationals own 90 soft drink factories in India, Coca-Cola 52 and Pepsi 38. They describe these as bottling plants; actually they are pumping stations, each of which extracts up to 1.5 million litres of water a day from the ground. It takes nine litres of clean water to manufacture a litre of Coke. The processes used in manufacturing these soft drinks are inherently damaging. The extraction of groundwater deprives poor people of their fundamental right of access to clean water. The factories spew out toxic waste that threatens health and the environment. And the products themselves are harmful. The Indian Parliament has set up a joint committee to inquire into the presence of pesticide residues in soft drinks.

In March 2000 Coca-Cola opened a plant at Plachimada, a village in the Palakkad district of the southern state of Kerala, intended to produce 1.2m bottles of Coca-Cola, Fanta, Sprite, Limca, Thums Up, Kinley Soda and Maaza everyday. The conditional licence granted by the local Panchayat authorised the use of motorised pumps, but the company drilled more than six wells and illegally installed high-powered electric pumps to extract millions of litres of pure water. The level of the water table fell from 45 to 150 metres below the surface.

Coca-Cola then polluted what little water it had not stolen from the community. It started by dumping waste outside its premises. During the rainy season, this spread into paddy fields, canals and wells, causing a serious health hazard. The company abandoned this practice and began pumping dirty water into dry boreholes that had been drilled on-site for the disposal of solid waste. This contaminated the aquifers. As the water supply deteriorated, the local adivasi women had to travel about 5 km to fetch drinkable water. The women organised a dharna outside the factory gates to protest against the depletion of the groundwater.

Because of Coca-Cola's activities, 260 wells — sunk by the authorities to supply drinking water and meet irrigation needs — have run dry. This part of Kerala is known as the rice bowl but agricultural yields have plummeted. Worse, Coca-Cola has been distributing the toxic waste from its factory to the villagers as free fertiliser. Analysis has shown that this sludge is rich in cadmium and lead, both carcinogenic.

In 2003 the district medical officer advised the people of Plachimada that their water was so polluted that it was unfit for consumption. The adivasi women were the first to denounce Coca-Cola's hydro-piracy with their sit-in. Their initiative sparked national and international expressions of solidarity. In February 2004, the Kerala Government finally ordered the closure of the Coca-Cola plant.

Source: Vandana Siva 2005

f) Migration and Urbanisation

Migration is not a new phenomenon. People have always left their homes in search of better economic opportunities, both within and outside their own homeland. But the current pace of economic globalisation has put a new spin on global migration, causing global uprootedness and human displacement on an unprecedented scale. Estimates say that nearly 1 out of 6 people in this world, more than one billion people, are crossing national borders as migrant workers (Moussa 1999). Migration for many becomes not a choice but an economic necessity mainly because of the unequal development between nations, and between rural and urban centres.

Urbanisation is an important driving force for commuting because urban areas offer many economic opportunities to rural people. Urban labour markets offer opportunities to switch jobs rapidly, diversify incomes, and become upwardly mobile with a very low asset base and skills although there is a lot of variation in the rate of urbanisation around the world. The pattern of economic force, not the rate of economic force, acts as a determining factor in the increasing rate of urbanisation (Deshingkar and Anderson 2004). Economic growth based on the expansion of manufacturing industry, a trade mark of current globalisation, tends to be associated with higher rates of urbanisation while growth based on the expansion of agriculture is associated with the reverse. Though it is too early to say with certainty how agreements through WTO will affect urbanisation, it is predicted that if the economic growth pattern is shifting towards manufacturing, there is likely to be a higher rate of urbanisation than there would be with agriculture-based growth (Stevens et al 2004). It is likely therefore that countries such as China whose comparative advantage lies mainly in labour intensive manufactured produces will see an acceleration of rural-urban migration, both temporary and long term. The driving force will be the expansion of labour-intensive exports, which will boost the demand for labour in urban areas, and widen wage gaps between rural and urban areas. South Asia on the other hand is likely to have a greater emphasis on agricultural

produce and export of skilled services such as IT, both of which may not create such a great demand for labour in urbanised areas. At the same time cheap imports – a result of liberalisation measures and low import tariffs – can threaten local agricultural production systems with the result that illiterate people with a limited skills base might migrate to urban areas in search of work (see Box 20.4). There is also evidence that in India people move away from; farming sector due to macro-economic reforms where reduction of subsidies and removal of inter-district movements of grains have put smaller farmers out of business. In such cases the option before them is to migrate to places where there are better economic opportunities.

Box 20.6: Groundnut Farmers and Sericulture in Chittoor District, Andhra Pradesh, India

Groundnut was once regarded as the “wonder crop” that allowed small farmers in dry areas to use their family labour productively and earn good cash profits. It spread rapidly during the 1960s in the drought prone Rayalaseema region of Andhra Pradesh, and has been credited with breaking the system of bonded labour in the area. But the profitability of groundnut, like many other crops, has fallen over the 1990s due to rising input costs and drought. Lately diseases such as a bud necrosis have also led to heavy losses. In several parts of Ananthapur and Chittoor districts of Andhra Pradesh, groundnut used to be the first choice of dryland farmers during normal monsoon years. A common ex-ante coping strategy followed by dryland farmers in these areas was to plant horsegram or foxtail millet if they expect the rains to fail. But they continued with groundnut farming even through worsening drought and disease because just one good crop in three years would be enough to feed a family.

However this form of livelihood could not survive the added stress introduced by the liberalisation of edible oil imports. The import duty on edible oils was reduced from 65% in the mid-1990s to 15% by the end of the 1990s, Palm oil primarily. The share of imported edible oil, mainly palm oil, has increased from less than one percent in the early 1990s to about 45% by 2001. The government responded by increasing import duties but international prices declined further and other countries gave their exporters further concessions in order to capture the lucrative India market. Groundnut prices fell and many farmers who were locked into credit-sale agreements could not repay their debts. Hundreds of farmers in Rayalaseema have committed suicide because they could not recover their costs and pay back money that they had borrowed. A few with sufficient capital, skills and contracts diversified into mango orchards. Many more started migrating out to the cities in search of work.

Source: www.dbtindia.gov.in

g) Commercialisation of Indigenous Knowledge

The globalisation process invades territories, habitats and resources of indigenous people, which may lead to destruction of their way of life. Big corporate entities get access to indigenous knowledge and patent it for their gain and profit. The result can be that the indigenous people and the rest of the humanity will have to pay for access to the knowledge that will thus have been commercialised.

Pharmaceutical corporations in the United States of America under the auspicious of Human Genome Diversity Programme, are patenting the indigenous people themselves. They monopolise the use of seed, medicines and traditional knowledge systems and human genomes. Even the life supporting systems of humanity such as land, water, wildlife, aquatic life, mineral resources became commodities in the present globalisation process at the cost of the lives and livelihoods of vast majorities around the world. This may result in environmental devastation, social displacement, wiping out of cultural and biological diversity. Also, the centralised management of natural resources imposed by trade and investment agreements does not have space for intergenerational and intra-generational sustainability.

h) Rising Inequality in Wealth Concentration

Globalisation is a very uneven process, with unequal distribution of benefits and losses. In the ongoing process of globalisation investment resources, growth and modern technology are focussed in a few countries such as North America, Europe, Japan, and the East Asian countries, which are the newly industrialised countries of the world. The majority of the developing countries are excluded from the process and participating in marginal ways that are often detrimental to their interests; for example, import liberalisation may harm their domestic producers and financial liberalisation may cause instability (Nayyar 1997).

Globalisation affects different categories of countries differently. While growth and expansion is visible in fully participating countries, moderate and fluctuating growth is seen in some countries attempting to fit into the new globalised framework and marginalisation and deterioration are experienced by many countries unable to get out of acute problems such as commodity prices and debt. The uneven and unequal nature of the present globalisation process is manifested in the fast growing gap between world's rich and poor people and between developed and developing countries and in the large differences among nations in the distribution of gains and losses. Polarisation among countries has also been accompanied by increasing income inequality within countries. In India, average incomes rose more rapidly in urban areas than in rural areas between 1993 and 2000, implying the widening gaps between rural and urban areas (Deaton and Dreze 2002).

Reflection and Action 20.6

Urban migration is not a new phenomena but an ongoing process. Do you think urban migration increased in the recent decades. Economic the reasons for that.

20.6 Cultural Dimension of Globalisation

Globalisation has a profound effect on all our cultures and on the ways we live our lives. It has affected what we eat and the way we prepare our food, what we wear and the materials from which our clothing is made, it has affected the music we hear, the books we read, even the language we used to communicate with others. Globalisation has made certain languages extinct (dead language) or dying, for example, Latin. At the same time more people today are bilingual or multi-lingual than ever before. English, though in variant forms (e.g., British English, American English, Indian English) has become the lingua franca and the number of English speakers throughout the world is growing rapidly. The central problem of today's global interactions is the tension between cultural homogenization and cultural hetrogenisation (Appadurai A. 2003). While scholars like Mc Luhan talk about global integration and global village, which may result from the process of globalisation, and resulting cultural integration across borders, there have been apprehensions about cultural marginalisation or cultural exclusion as well. Global flows of goods, ideas and people and capital can be seen as a threat to the national culture in many ways (HDR 2004). In the this sections let us see some of the cultural dimensions of globalisation.

a) Increased Pace of Cultural Penetration

Cultural change or cultural dynamics has always been a product of interaction with other cultures. Though individual cultures are capable of endogamous developments, cultural boundaries are quite often porous leading to the interpenetration of cultures. Cultural dynamism is the outcome of a process of mixing; borrowing and adapting cultural attributes and often the attributes that are borrowed and adopted come from cultures that are alien, distant and foreign.

Historically cultural dynamism has been greatest where trade and exchange in general have been voluminous and frequent. National and regional cultures are invariably a product of assimilation of various elements from other cultures, of a synthesis of elements that is a product of cultural interpenetration.

Seaports and river ports have historically been centres of cultures and civilisation. Today in the hi-tech communication era, in which ICTs made communication easier, faster and cheaper than in the past, more and more cultural interpenetration is taking place. In other words, we can put it that the acceleration of globalisation hasten the pace of cultural change.

Cultural interpenetration through the exchange of commodities is today so pervasive that it is difficult if not impossible to distinguish between original and imported cultural attributes. Consider a person drinking 'Turkish Coffee' in Istanbul. The coffee originated in Ethiopia, the sugar in India or New Guinea, the porcelain cup in China, the tablecloth in the restaurant is made from cotton, which originated from a plant domesticated in Central America, and the restaurant itself is a French invention. Likewise diseases, which originated in one place of the world, are exported to other parts of the world, e.g., HIV/AIDs exported from Africa to the rest of the world. The penetration of global music has resulted in the marginalisation of traditional music among different cultures of the world. Today, pop music and its local variations can be heard in all social settings from weddings to religious festivals and birthday celebrations.

b) The Globalisation of Culture

Trade agreements have removed all obstacles and resistance to corporate invasion and control of human society. With liberalisation of telecommunications, corporate culture is set to rule the world. Today the whole world is wired and plugged into the same TV programmes, movies, news, music, lifestyles and entertainment. Satellite cables, phones, Walkman, VCDs, DVDs and retail giants and other marvels and wonders of entertainment technology are creating the mass marketing of culture and expansion of consumer culture. This may lead to a homogenised global culture. In the case of the media industry, the logic of profit and competition has driven media corporations to enlarge media and space markets, and to break down the old boundaries and frontiers of national communities.

With the advancement of science and technology and the improvement of markets, the earth has turned into a global village. It has also resulted in the emergence of global mass culture due to the increase in consumerism. It may make for increasing similarities in life styles around the world evading local cultural heritage.

The contemporary global communication technologies lead to a globalisation of culture, which may undermine the meaning of community and traditional institutions and values of life. For example in India it has ended the tradition of story telling through which the old handed over their experience, culture, traditions, oral history and way of life to the young who had a sense of place and their roots (Mander 1996). Likewise the computers become the substitute for human interactions.

Our own culture is being systematically appropriated and "commodified". Folk and tribal festivals are being packaged and marketed through electronic media, plucked out of context and cut off from their roots (Panikkar 1995).

c) Development of Hybrid Culture

Like the two faces of Janus, globalisation at times has been inclusive and integrating and at other times unequalising and exclusivist. This is true of cultural impact also. As globalisation may lead to one single world culture or

a homogenised culture, it is also likely to lead to new permutations, new combinations, new options and new cultures (Griffin 2004). Thus global encounters and interactions may produce inventive new cultural forms. In this sense there emerges a “third culture” or hybrid culture the trademark of which is social innovation and change co-existing with continuities and tradition in social and cultural life.

d) Resurgence of Cultural Nationalism

Globalisation also gives rise to active cultural campaigning to defend local identities. Nations reject global cultural integration and people remain loyal to local histories, identities and traditions. For example, European countries have campaigned against the threat of Americanisation (standardisation) and have defended the diversity and difference of European cultures. It is also possible to have attempts within the country by certain sections of people who refuse to integrate or adopt alien cultures as well as conduct massive movements against this trend. For example Shiv Sena activists have been campaigning against Valentine’s Day celebrations in India.

Reflection and Action 20.7

Which aspect of cultural dimension of globalisation i.e. globalisation of culture, hybridization of culture or resurgence of cultural nationalism, do you think is more dominant in your region. Argue your point with the help of newspaper or other media reports to support it.

20.7 Conclusion

Globalisation as we have seen is a far-reaching process having its imprint left, though in varying degrees, in all walks of contemporary human life. Through our discussions on definitions and the features of globalisation in the initial sections of this unit, we did understand that globalisation basically means increased interaction and interconnectedness in terms of social, economic, cultural, political, ecological etc. between and among the nations across the world. We had a detailed look at the economic, social and cultural dimensions of globalisation in the latter part of the unit. Under the economic dimensions of globalisation, aspects such as liberalisation, privatisation, foreign direct investment, infrastructure development, expansion of information technology, etc., have been discussed. We have also learnt the regulatory mechanism for international trade - WTO - and intellectual property rights. Among the social dimensions of globalisation we have had a look at the various social aspects that have an impact on the everyday life of social beings. Finally we also looked at the cultural dimensions of globalisation. We have seen how multifarious cultures interacting at an ever increasing speed and various cultures are farming under testing conditions. Side by side, there is a resurgence of cultural nationalism in various parts of the globe.

20.8 Further Reading

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