Unit-5

Globalization

• Globalization in A Historical Perspective :

Globalization is not a revolutionary outcome but an evolutionary development. Even if, it is often termed as contemporary or modern phenomenon it can be studied from a historical perspective. As a process it is rooted by sociologists to be antique spanning many centuries or millennia. Herman van der Wee, one of the world's famous economic historians of Belgium commented globalization is a new word for an old process that has been taking place for centuries. This clearly indicates globalization is a historical process. It is sometimes identified by scholars that there are three tipping points that have led to global convergence of today under the banner of globalization. These are — the consolidation of convergence of today under the ~~b~~ Asian and Indian ocean net-works having its roots one millenium before, the discovery of sea routes five centuries before with European expansionism and the Industrial revolution ~~sea routes~~ galvanising the European economy two centuries ago. However, most of these attempts were country or continent specific and more or less regional rather than worldwide in nature. Though some scholars have tried to designate these processes as "Proto globalization" or "Archaic globalization", the ~~con~~- currency have not achieved much intellectual acceptance.

Thus, globalization is a historical process. It has witnessed many preceding stages in human history which can be identified as the prelude to today's globalization among the scholars. However, all agree upon the point globalization is a social reality that the world has experienced due to the interaction of complex economic, political, socio-cultural and biological factors. Economic crises leading to political disruptions have led the foundation of global convergence. Further, social and cultural changes have changed human vision, and prompted them to explore the world around them, led to economic expansion and changes and changed the political boundaries. Biological factors like the break of epidemics have propelled human migration which have contributed significantly for cultural diversities, social change and crossing the borders leading to flow of individuals, ideas leading to cross border integration, the basic foundations of globalization.) (The economist vision of the initiation of the process of globalisation is shorter than that proposed by the historians. The historians trace back the history of globalization to the industrial revolution of the west. To them the three landmarks that symbolise the beginning of global interaction and integration include the Industrial Revolution of the west which took place 1500 years ago, the maritime expansion which had its origin around 1500 years ago and the integration of Asia which took place 1000 years ~~back~~ before). However, polarised in the views of Friedman who in his famous statement The World is Flat proposed that globalization is of recent origin. Though it was moving from 1945 after the end of great depression and the world wars, it had a rapid development towards the end of the twentieth century.

(To some historians, maritime revolution was initiated by Europe by 1500s. This became a turning point in human history as this led to establish interconn-ectivity between Europe with Asia, Sub Saharan Africa and the American continent. Maritime revolution was initiated through the development of maritime technology and resulted in maritime exploration. This contributed for mercantile expansion. By this revolu-tion, humanity could ~~st~~ triumph over geographical barriers and the geographical segregation the nations were experiencing hitherto. This led to the influx of new ~~cultural~~ culture, knowledge, wealth into a nation. The Italian Renaissance effects, the ideas of French and American Revolution were diffus-ed across the European borders and this was the beginning point of globalization. Most historical evide-nce, refer 1500s as a watershed in the evolution of process of globalisation.

Industrial revolution was an accelerant of global integration. It opened a new era in the human history by increasing production and the GDP in the western countries. This led to the foundation for market expansion which is a ~~pressure~~ precursor to globalization. This is often termed as the second phase of globalisation. During this phase, there was vast transformation in the production technology and the demand of the consumers. Mass scale machine based production increased the quantum of production which forced for expansion of the market beyond the national borders. This resulted in colonial plunder, investment outside the national borders, colonial expansion. This was the prelude to global integration.

Geoffery Gunn an authority on Asian history and international Relations identifies the period spanning from 1500 to 1800 as the era of first phase of globalisation. To him the first confluence between the east and the west took place during this period. Global capitalism was in its wake and there was the ascendancy of the west. This was percolating to the colonies and cultural and material exchanges were fast taking momentum. However, globalisation halted due to the two world wars that took place in the first half of the twentieth century.

Globalisation was again spearheaded during the 1970s when the East Asia miracle took place. This was led by the key role played by the ~~transitional~~ transnational companies. Finally, in the beginning of the twenty first century, with the awakening of the sleeping giants like China and India, globalisation started taking a new face. During this time, all countries started declining. The national sovereignty started eroding and the world organisations and corporate giants began ~~directing~~ dictating state power.

Thus, the historical content of globalisation can be summarised under five waves of globalisation. These waves of globalisation have touched the world in different periods which are as follows—

First wave of globalisation taking place between 3rd to 10th centuries.

Second wave of globalisation taking place between 11th to the end of the 14th century.

Third wave of globalisation between 15th to 19th centuries.

Fourth wave between the beginning of 20th century to the first half of 20th century.

Fifth wave from the last two decades of 20th century and continuing till date.

Thus, globalisation has been shaped by many social factors from time to time and through various historical developments. However, the pace of globalisation has sometimes taken a swift pace and sometimes it is found to be retarded. The first three waves can be described as traditional globalisation. During these fourth phases globalisation though was taking momentum was not visible on the surface. During the fourth phase, globalisation got a setback due to the war and great depression. This was a period of decline in the process of globalisation and during the fifth stage; globalisation started taking an added momentum.)

- <u>India's Role in Multilateral World Order:</u>

The Covid-19 pandemic has highlighted the varying nature of the challanges faced by the world. First, these challanges are cross-national in character. They respect no national boundaries and are not amenable to national solutions only. A disruption in one domain often cascades into parallel disruption in other domains.

The intersection of cross-national and cross-domain challanges demand multilateral approaches to reach out any solution. However, there has been an upsurge in narrow nationalism, an assertation of parochial interests over the pursuit of global (shared) interests, and a fostering of competition among states rather than ambracing collaboration. Thus, multilateralism is possibly at its weakest today.

In this content, Indian Prime Minister remar that the world is facing a huge challange in the form of Covid-19 and the way to combat this pandemic is through the resolution of 'Collaborate to Create'. Thus, the current pandemic may be an opportunity for India to help revive multilateralism.

Issues pertaining to multilateralism –

Increasing incidences of lawfare – It means the misuse of existing international and national laws by several countries (via forced technology requirements, intellectual property rights violations, and subsidies). to gain an unfair advantage over other countries. For example –

* Paralysis of the World trade Organization (WTO), due to the tussle between the developed and developing countries.
* The imposition of extraterritorial sanction (under CAATSA) by the US has affected development in developing economies like India and China.
* The trade war between the US and China has challanged the existing global trade

Dual use of global supply chain – Some of the developed countries have jurisdiction and control over global supply chains. Due to growing convergence between commercial interests with strategic goals, these supply chains enable them to have extraterritorial influence and has created new power asymmetries. For example –

* China through BRI is enhancing its role in global economic governance.
* The internet has become a distributed system of ~~— llience~~ of surveillance
* There are pertaining in dual-use (commercial viability and military application) of Industrial Revolution 4.0

Lack of global framework - The global community has not been able to come on a single platform al frame a global Agenda on issues related to terrorism, climate change, cybersecurity etc. Also, due to the lack of any global public health framework, Covid-19 has spread into a pandemic.

• **India's Role in Reviving Multilateralism:**

Shift from non-alignment to multi-alignment - In the post cold war era, Indian foreign policy has moved from a policy of non-alignment (policy of being neutral with US and USSR blocs) to the policy of multi-alignment (India is having friendly relations with almost all great powers and developing world). Multi-alignment is the very essence of India's foreign policy and the economic policy of India today. This presents an opportunity for India to become a global mediator and help in developing a framework on global issues.

India's role in international activism - India is a key G-20 member country and the world's fifth-largest economy (and 3rd largest purchasing power parity) with a long tradition of international activism and promotion of rule-based multilateralism. India's foreign policy is based on the ethos of "Vasudhaiva Kutumbakam" and Good Samaritan. In pursuance of this -

- India's long-standing commitment to multilateralism can be reflected in the call for U.N system reforms.
- India has taken the lead in promoting various multilateral initiatives like International Solar Alliance, proposing CCIT for combating terrorism. Asia-Africa Growth corridor.
- India is the pharmacy to the world (world's largest

producer and exporter of cost-effective generic drugs).

Collaborating with like-minded countries – Working together with a group of countries from the developed and developing countries could further amplify India's voice.

* Here, India could work closely with the Alliance for Multilateralism (an initiative launched by Germany and France) to shape both the alliance itself and the reform agenda at large.
* India must redouble its efforts, along with partners such as the USA, to push for a multi-stakeholder model of internet governance.

Decoupling from China; opportunity for India – China has been the factory to the world, but global investors have been seeking a gradual decoupling from China. This is due to the increasing cost of production and the trust deficit in China after Covid-19 pandemic. This provides India with an opportunity to become the world's manufacturing hub and stable economic power. This will help India in assuming leadership roles and maintaining a ~~so~~ stable global economic system.

Despite hardships, India can, and must, take the lead in bringing the world together to participate a new multilateralism that places the common interests of humanity above narrow national interests. In this context, India has taken initiatives to develop a joint response in bringing SAARC together to fight the pandemic.

• Production Patterns and World Inequality:

In the last four decades, international trade, along with finance and technology, has been instrumental in the development process of many countries. Trade reforms undertaken in ~~under~~ developing countries have been accompanied by more rapid economic growth leading to reduction in income gaps and lower levels of inequality between countries. While the process of global trade integration has contributed to broad economic gains at country levels and convergence between developed and developing countries, yet it has also been accompanied by polarization in the distribution of income, sometimes increasing within-country income inequality. The increase in within-country inequality is possibly a cause behind the current reaction against globalization, international trade and the multilateral trading system.

Despite its impact on inequality, trade remains a catalyst for economic growth and development. This is recognised in the 2030 agenda for sustainable development and the sustainable development goals (SDGs). SDG 10 on reducing inequalities within and among nations makes a limited but specific reference to the contribution of trade in terms of the provision of special and differential treatment to developing countries by way of the elimination of tariffs on imports of developing countries and least developed countries. International trade has greatly benefited global citizens by increasing economic ~~effenci~~ efficiency, consumers purchasing power and product varities. Overall, international trade has contributed to lift millions of people out of poverty and reduce inequality between rich and poor nations. Therefore, while it may be tempting to conclude that in order to reduce within country income inequality it is necessary to reverse trade integration policies, this would be clearly wrong. Despite the adverse distributional consequences of trade, restoring to protectionism is not a solution. In addition, there are many other drivers of inequality within and between nation. For example, evidence shows that skill biased technolog change has had a significantly larger impact.

The effect of trade on inequality has not been the same everywhere. There is strong evidence that the impact of international trade on inequality has been very different across countries, and the context-specific factors can exacerbate or alleviate the outcome. Differences in outcomes provide compelling evidence that well thought national and multilateral policies can mitigate negative effects of trade on within-country inequality or even reduce inequality. To respond to inequality, rather than limiting trade, policymakers need to focus on encouraging trade with trade policies and on ensuring that the benefits brought by international trade become more inclusive with complementary policy.

A striking characteristic of the last few decades has been the increase of market concentration. The gains from international trades have been too often captured by larger firms, leaving micro and small enterprises with little benefits from increased trade opportunities. One reason for this is economies of scale and the high entry costs which small firms need to pay to be ~~comp~~ competitive in world markets. Market concentration has also resulted in higher mark-ups which create a bias towards producers and against consumers, further increasing within country income inequality. Trade also influences inequality through non-tariff measures. Measures such as product requirements often limit exports from countries that lack productive capacity, quality infrastructure and conformity assessment opportunities. Subsidies and quotas affect international trade in ways that are often detrimental to low-income countries. Such non-tariff measures influence international trade and can have profound effects on inequality, both within and between countries.

There is much evidence that the effects of international trade are often highly localized and long-lasting.

Because economic activity within a country is often clustered geographically, international trade has contributed to rising economic opportunities in some areas (e.g. areas with better infrastructure, export processing zones, coastal zones etc.) while lowering opportunities in other areas (e.g. rural areas or areas specialized in sectors subject to import competition). Lastly, international trade has also affected inequality by promoting structural change. There is strong evidence that, different from middle-income countries, international trade has often resulted in low income ~~contr~~ countries specializing in the production of commodities and low value-added goods. Such specialization into capital intensive sectors has often resulted in little or no positive effect on unskilled wages and employment opportunities. Therefore, trade integration has contributed to further ~~ex~~ exacerbated income inequalities within many low-income countries.

In rethinking their approach to trade policy, policymakers need to confront new global trade realities in a context of rising inequalities and progress towards attainment of the SDGs. In the past, trade policymaking was largely driven by gaining market access and targeting productivity. This was largely achieved, but often with the negative side effect of rising within country inequality. In today's context, the challange faced by policymarkers is to make trade policy more inclusive, while not compromising on economic development by reducing trade opportunities. Trade policy must balance the needs of businesses to those of the society at large. The question of who benefits and who loses from changes in trade policy must be a first-order concern, rather than an afterthought to be addressed by complemen-

-tary policies that are often not effectively implemen-
-ted. In other words, trade policy should not only pursue efficiency gains but also consider the impact on smaller firms, and marginalized workers, includ-
-ing women youth and less skilled.

Trade policy should consider and minimize negative impacts on marginalized workers by seeking to improve labour rights and workers skills. There is evidence that including labour rights in trade agreement will benefit workers in developing countries. This result is due to increases in work-
-ers productivity because of healthier work environm-
-ents, as well as more demand by global consumers for goods ~~production~~ produced in accordance with workers' basic rights. The demand for better working conditions and fairer remuneration of wor-
kers and agricultural producers can also be pursued by promoting the use of private standards such as voluntary sustainability standards. Moreover, trade integration strategies will be successful only if the labour force can meet the skills and worker mobility from declining to expanding sectors are important. Specific chapters in trade agreements to address gender conditions should become standard features of inclusive trade policies.

Trade policy should consider and facilitate small firms' integration in world markets. Allowing micro, small and medium size to better compete in global markets should be part of any package trying to make trade more inclusive. The role that multilateral trading system under the World Trade Organization and ensu-
-ring that any reform process remains inclusive and equitable, aligned with the SDGs. The principle of special and differential treatment and preferences for

developing countries, in particular least developed countries, should be expanded. Moreover, multilateral cooperation facilitating market access conditions both at and behind the border for such ~~contrie~~ countries are ~~ro~~ relevent to attenuating adjustment costs for firms and workers and to augmenting the ~~capaci~~ capacities of developing countries to produce, trade and compete.

Finally, a more inclusive trade policy agenda requires resources that may not be readily available. Still, resources can be mobilized in three main ways - first, since ~~independence~~ international trade has often resulted in an outcome where a few stakeholders receive the overwhelming majority of benefits from international trade, there is scope for many governments to implement more progressive taxation and redistribution schemes. Second, development assistance ~~programmes~~ programs should not only aim to reduce inequality between countries but also within countries. In this regard development assistance should focus on increasing the productive, competitive and trade capacities of small and micro enterprises. Finally, private sector engagement is essential. Corporate responsibility, especially in relation to fair wages and tax avoidance schemes, could play an important role to reduce inequality outcomes.