

CHAPTER SIX

GLOBALIZATION

Introduction

Now a day, Globalization is a contested concept among scholars, politicians and, even layman. However consensus has not been reached about the exact meaning, essence, and implications on the social, political, and economical life of society. On the one hand globalization would mean westernization. One can also define globalization as worldwide integration of all. Still any one can say that globalization is a myth-fake, than a reality. Though there are variations, globalization has had its own meaning in accordance with different activities of life.

Objective

At the end of the chapter, the Learners will be able to:

- ❖ Define globalization conceptually.
- ❖ Discuss the aspects of globalization
- ❖ Describe the main actors of globalization
- ❖ Evaluate the impacts of globalization
- ❖ Analyze effects of globalization for Ethiopia

LESSON ONE: UNDERSTANDING GLOBALIZATION

Introduction

Here in this lesson basically attention is given for the conceptual meanings of globalization in accordance with different contexts. In addition, different debates or arguments on it are inculcated in this lesson. Namely the arguments of hyper globalist, skeptics and transformationalists are described in deep with their respective propoundment. So it covers up the meanings and debates on globalization. As it is a contested concept, we can give it a

meaning in accord with the issue in consideration.

Objectives

At the end of this lesson, learners will be able to:

- Define what globalization mean
- Use contextual meanings of globalization
- Critically evaluate the debates or contradictory ideas on globalization

6.1.1. Meaning of Globalization

Globalization is a broad concept that is often used to describe varieties of phenomenon that reflect increasing interconnectedness among individuals across nations and their people. On one hand globalization would mean westernization and as a worldwide integration of all. One can also talk about globalization as the widening and deepening of international flows of trade, finance and information in a single, integrated global market. An alternative would be describe it as the increasing linkages between the worlds people (including the international spread of cultures --- as well as diseases and crime) as natural and artificial barriers fall. Or, one can refer to it as the transformation (shrinking) of the world in to a global village, as borders disappear, distances shrink, and time shortens. Still any one can say that globalization is a myth of fake, than a reality. Such interconnections has been deepened by the process of trade liberalization, increased role of international organization such as world Bank (WB), international monetary fund (IMF), World trade Organization (WTO), transnational corporations (TNC'S).

Despite the idea that globalization benefiting all, the challenges of globalization seemed to over weigh the benefits. Due to the increasing tendency of trade potentials by the developed countries, the developing countries have facing difficulties to access to market for their product which are mainly agricultural commodities. Despite the hope that TNC's would help

to minimize the gap between the rich and the poor countries, their contribution and operation in developing countries is not that much significant. As a result most developing countries are not equally benefiting.

Due to the deepening of cultural globalization, the life style of youth in urban area is very much impacted. Western media, film industries, record music are the main vectors of cultural diffusion from the west to rest. In addition the boundaries of the state are becoming hallow, illicit trade, terrorism, drug trafficking and the spread of disease are some of the challenges of globalization.

Therefore, globalization refers to the process of increasing interdependent /interconnectedness/ between individuals and states across the world.

In order to exploit the benefits of globalization the capacity of the state and its citizens need to be strengthened. In this regard the role of developmental states has paramount significance. Developmental state is a state which is competent enough to exploit and cope of the challenges of globalization to ensure sustainable development.

More often globalization can be understood in terms of the following two processes:

1. Stretching of social, political activities across states frontiers
2. The intensification or the growing magnitude of, interconnectedness, in almost every aspect of social existence from the economic to ecological, the spread of HIV/AIDS from the intensification of world trade to the spread of different weapons. From this we can define globalization as a multidimensional set of social process that create, multiply, stretch (expand), and intensify worldwide social interdependence and exchanges while at the same time fostering in a people a growing awareness of deepening connections between the local and distant.

In a nutshell, globalization is often understood as a phenomena, or a process characterized by increasing interconnectedness or interdependence. The economy, culture, politics/ideology/ and communication technology have been the driving forces as well as forms of globalization

6.1.2. Perspectives/debates/ of Globalization

There are three perspectives that deliver a distinct response to the questions of what is new about globalization; is there uniformity or diversity and what are its political, economic, socio-cultural, environmental etc consequences for sovereign statehood?

1. The Hyper globalist
2. The skeptics and
3. The transformationalist

6.1.2.1. The Hyper globalists (The World Economy Theory)

They hold the notion that the states become obsolete to regulate their economy and boundary. This view of globalization privileges the economic over the political, the market over the state, and prefigure the decline of states. Advocators of this view argue that economic globalization is bringing about de-nationalization or de-territorialization of economies through the establishment of transitional networks of production, trade and finance. In this borderless economy national governments are regulated to little more than transmission belts for global capital or ultimately powerless institutions marginalized by the growing significance of local, regional & global mechanisms of governance. In this respect the hyper globalist share a conviction that economic globalization is bringing about the decline of states. Under the condition of globalization, states becoming the site of global and transitional flows and as opposed to the primary container of socio-economic activity.

Thus, for the hyper globalists, the authority and legitimacy of states thereby

is undermined as national governments become increasingly unable to control the trans-boundary movements and flows of goods, services ideas and different socio-economic activities inside the borders.

Furthermore; the hyper globalists claim that economic globalization is generating a new pattern of losers as well as winners in international economy. They also argue that globalization is imparting new ideas, liberal ideas and implanting culture of modernization replacing the traditional cultures having and impetus towards creating a new global order marked by uniform cultural values or ways of life.

Generally, hyper globalists argue that:

- The role of state is undermined
- Accepts a boundary less state
- Gives more emphasis to market
- Economy is the first while politics is the second option
- Market is more rational than governments could ever be
- Globalization is all about the establishment of one or single world/global/market by capitalism.

❖ **There are three categories of state based on their economy in the world. These are:**

- i. **Core Countries:** - have tertiary economy level, i.e., industry. They are characterized by (high skilled man power of labor force) higher skill, capital intensive production, strong armed forces, high economy, consume higher profit, intensive technology, high level of economic development. E.g.: USA, Britain, France, Germany, Japan
- ii. **Peripheral countries:-** characterized by low skill, low capital, labor-intensive production and extraction of raw materials, weak armed forces, weaker economy, focused on primary economy, i.e.,

agriculture based Example: poor, recently independent countries etc

- iii. Semi-Peripheral Countries:** It is the mid way between the core and the periphery. They are less dependent on the core than the peripheral areas. They have more diversified economies, i.e, industrialized as well as agricultural, and have strong military forces than the peripheral countries. Generally, they are characterized by moderate capital, skill and it is the combination of primary & tertiary economy. Example. Canada, China, etc

6.1.2.2. Global Skeptics /the Regional block theory/

The skeptics reject the view of hyper globalist as a myth, flawed and politically naïve since it fundamentally under estimate the enormous power of national governments to regulate the international economic activities. For them, rather than being out of control, the force of globalization, which is synonymous to internationalization, very much dependent on the regulatory power of the state to ensure the continuation of economic liberalism. States are central actors and agents of globalization playing a central role in shaping and regulating the economic activities including the trans-boundary flows of ideas, goods and peoples.

Skeptics also undermine the view that the world is inter-connected and moving in to a village where by there exist a free flow of goods and services, investment and circulation of money from one corner of the world to another. For them, the so called globalization is no more than regionalization that is being manifested in the emergence of financial and trade blocks in western countries, North America, in Asia and to some extent in Africa. For instance, there exists European Union (EU) in Europe, in North America (NAFTA), in Asia (ASEAN) and so on.

Skeptics also do not believe that globalization would help to narrow the economic and technological gap that is still prevailing between the Global north (developed countries) and the Global south (Developing Countries). Skeptics argue that there is no free flow of goods, resources, technology and finance at the global level; instead we have regional based globalization. In this regard, it has become evident that the western region is more integrated and globalized than the other part of the world such as Africa and Asia.

Generally, skeptics argue that single market exist at regional blocks; the growing internationalization of trade & investment is really the growth of regional economic blocks; and etc.

6.1.2.3. The transformationalist /The Third way/

They believed that globalization is the process of reconstructing or re engineering the power, functions and the authority of state. At the core of the transformationalist view is the belief that even though the state has ultimate legal power to control events inside its territory/boundary, it can't command sole control over trans-boundary issues, actors, resource movements. Under globalization, national economic space no more coincides with state boundary.

They reject both the hyper globalists' view of the end of the sovereign state as well as the skeptics claim that nothing much is displacing traditional conception of state power as an absolute, indivisible, territorially exclusive power.

Generally, for transformationalists:

- It is necessary to have local authority that can administer the local activity
- They focuses on the processes that are going on local and global level

- They opposes any kind of cultural uniformity that can be endanger by globalization and they do not refuse cultural diversity
- They tried to transform the powers of the nation states to cope up with pressures of globalization.
- They seek to find a relationship between economic processes occurring at the global and local scales.
- They says “Act locally think globally”
- They want to compromise (balance) the existence of nation-state and globalization. They also compromise the local & global culture.
- Maintain diversity in the face of economic forces that encourage uniformity.

6.1.3. EFFECTS OF GLOBALIZATION

The effects of globalization can be seen in two ways that is a positive impact and negative impacts though it is not equally distributed for developed and developing countries. Hence globalization is a zero-sum game rather than a positive-sum game. Developed states have been benefiting than the developing states from the impacts of globalization due to many factors. Though politics, economics, and technology are often considered as the engine of globalization; it has also, cultural, social, ecological and legal dimensions.

6.1.3.1. Positive effect of globalization

Being a zero-sum game activity and a multidimensional process, globalization has had both merits and demerits throughout the world so far. Both of its effects are seen in politics, economics, and socio-cultural, environmental and other spheres.

Some Globalization’s **opportunities** are:

- The invention of internet technology
- The transfer of technology and knowledge

- Eliminate trade obstruction to facilitate free trade or free flow of goods and peoples that would bring substantial change and development human life if all these are well managed
- Greater international cultural exchange
- Sharing of model policies and strategies from one part of the world to the other part of the world.
- Fostering of global cooperation and fraternity, etc.

6.1.3.2. Negative impact of globalization

❖ **Negative** impacts of globalization includes the following:

- Uneven distribution of benefits
- Absorption of indigenous culture by the external one
- Brain drain, the migration of skilled professionals to the industrialist countries especially in areas of medicine & engineering.
- Domination of developed countries over developing countries in different aspects. Globalization is linked to homogenization as cultural, social, economic and political diversities are destroyed in world in which we all watch the same TV programs, buy the same commodities, eat the same food, and support the same sport star, etc. The developing countries felt the challenges of globalization, more than the opportunities globalization might offer. However, consensus has not been reached about the exact meaning, essence, and implications on the social, political and economical life of the society.
- Through socio-cultural globalization, the life style of the youth in urban areas is very much impacted. Western media, film industries, recorded music are the main vectors of cultural diffusion from the west to the rest. In addition as the boundaries of states are

becoming hallow, illicit trade, terrorism, drug trafficking and the spread of diseases are some of the challenges of globalization.

- Due to the increasing tendency of trade protections by the developed countries, the developing countries have facing difficulties to access to market for their products which are mainly agricultural commodities. Despite the hopes that TNCs would help to minimize the gap between the rich and the poor countries, their contribution and operation in the developing countries is not that much significant. As result most developing countries are not equally benefiting.

LESSON TWO: DIMENSIONS/TYPES/ OF GLOBALIZATION

Introduction

As it is described in the previous lessons globalization has multidimensional aspects in life. Meaning it has political, economic, socio-cultural, financial, environmental and other related dimensions in our daily life at local, national and international level. Each dimensions of globalization is interdependent with other dimensions.

Globalization is related to the ideological diffusions of neo-liberalism in political issues, which is marked by liberal democracy and free market economy. This directly has influence on economics, culture and others. Globalization is deepening the process of neo-liberalism which leads to the decline of state sovereignty. States in developing countries are not in a position to exercise their sovereign right to decide matters related to finance, trade and external relations. Hence, those dimensions or types of globalization are interrelated and one state has to give an emphasis for all dimensions to gain an advantage in international arena. Then this lesson is all about those dimensions of globalization. The concept, challenges and

prospects of those dimensions of globalization are articulated.

Objectives

At the end of this lesson, learners will be able to:

- List dimensions of globalization
- Analyze the challenges and prospects of every types of globalization
- Explain the interdependence of every dimensions of globalization
- Elaborate the actors in every types of globalization

6.2.1. Economic Globalization

Economic globalization refers to the intensification and stretching of economic interconnections across the globe. It aimed at adopting a single market throughout the world. It is marked by reducing the role of national government in economic activities.

Economic globalization, the ongoing process of greater economic interdependence among countries, is reflected in the increasing amount of cross-border trade in goods and services, the increasing volume of international financial flows, and increasing flows of labor. This is reflected on the idea that “**no national economy is now an island** “. All countries have, to a greater or a lesser extent, been absorbed in to interlocking global economy. Due to trade liberalization efforts in the world the acceleration and expansion of trade across countries have been unprecedented. Trade has indeed connected every country of the world.

Economic globalization, according to UNCCD, is defined as the increase in flow of resources and products across national boundaries and presence of a set of organizational structures to manage international economic activities, and the flow of resources includes not only products and services, but also foreign direct investment (FDI) by multinational corporations (MNCs).

Economic globalization often means the ever increasing union of national

economies which is reflected by the growing acceptance of the doctrine of free market (reflected by the existence of liberalization of trade).

6.2.1.1. Challenges of economic globalization _

Trade barriers or protectionism refers to policies designed to restrict the import of goods and services. Such protection can take many forms. The most common of which are: tariffs, quotas, subsidies, currency control, administrative regulation and voluntary export restraints. **A tariff** refers to the application of a duty against goods and services from a foreign supplier. In other words, a tax on the price of imports raises their price to consumers. The implication of erecting high tariff on importing goods and commodities is to affect the economic interest of the exporting countries.

Quotas: refers to the application of a quantitative restriction against goods and services from another country. They are specific limit on the quantity of imports. Countries tend to limit the volume of goods & services coming to home for safety measures.

Subsidies: are made to protect particular industries to help them to be competitive on the international market. Example of subsidies includes, Depreciation of allowances, cash grants and tax holidays.

Currency controls: It limits the availability of foreign currency for the purpose of foreign goods.

Administrative Regulations: - include bureaucratic procedures, systems of advance payment, minimal domestic content rules, special marketing standards and healthy and safety provisions.

Voluntary export restraints: - Refers to the situation where by one country agrees to limit its export to a third country. This agreement is usually made because the importing country threatens to place barriers against the goods

of the exporting country.

Most of the time developed countries erect trade barriers to the commodities of the developing countries. Developing countries export agricultural commodities and textile manufacturing goods. However they fail to get market in developed countries.

Trade can benefit everybody involved on it. But it requires proper management or governance so that it can be played fairly. Without international trade achieving economic growth is not thinkable.

Merits

- ✚ Intensification of Global technology and foreign investment
- ✚ Access of quality goods and services
- ✚ Internet connection etc

Demerits

- ✚ Brain Drain
- ✚ Withdrawal of local industries

6.2.2. Political Globalization

Political globalization refers to the intensification and expansion of political interrelations across the globe. It is aimed at creating borderless state. It is related to the ideological diffusion of neo liberalism which is marked by liberal democracy and free market economy. Liberal democracy more inclined to keep individuals interest than group where as social democracy is the opposite of it. Globalization is deepening the process of neo liberalism which leads to the decline of state sovereignty. Actors of political globalization are UN, IMF, WB and WTO. The most important political characteristics of a state are sovereignty.

Merits

It helps us to share democratic ideals.

Demerits

It paves the way for political

interference.

6.2.3. Cultural Globalization

Cultural globalization is the process whereby information, commodities and images that has been produced in one part of the world enters in to global flow that tends flattens out cultural differences between nations, regions and individuals. The main vehicle of such cultural diffusion includes news media, Film and music industries, Tourism and the like. Globalization may not necessarily bring homogenization; it would also mean the coexistence of multiple cultures. The main actors of cultural globalization are News agencies such as BBC, VOA, AFP, Reuters, etc, who have a monopoly of news to disseminate across the world.

Cultural globalization is also fueled by the so called information resolution, the spread of satellite communication, telecommunication, networks, information technology and the internet and global media corporation.

Merits

It helps us to share important cultural practices.

Demerits

It erodes or eliminates indigenous culture.

6.2.4. Financial Globalization

The vision to create stable monetary policy across the world put in to place following Second World War. The primary aim was to create monetary cooperation by way of designing policies for the smooth flow of currencies across the world. Transnational Companies/TNCS/ emerged to operate as the most financially power full actors of financial globalization. These are profitable institutions owned by different nationals or group of persons from some countries yet working across the state boundaries. Such companies might have many branches locating in different countries. Economically speaking, these organizations are said to be “New empires” borderless empires having the strongest financial power. Trade among such companies is huge. TNCs in the very nature of their operation enhance Foreign Direct Investment (FDI).

There are two type of foreign investment. These are Foreign Direct investment (FDI) and indirect foreign investment. FDI refers to the investment made outside the home country of the investing company in which control over the resources transferred remains with the investor. It consists of a package of assets, capital, technology, management skills, access to market and entrepreneurship. Indirect foreign investment (also termed as portfolio investment) refers to specific assets and intermediate products (for example, capital, debt or equity, technology) which are separately transferred between two independent economic agents through the modality of the market.

The transformation of the global production system has been brought about by rising levels of FDI. Most of TNC's is owned by U.S.A, Japan and European countries.

Positive effects of TNCs

- Transfer of technology
- Access to market and management skill
- Provides additional tax revenue
- Increase GDP (linking the host economy with outside market)
- Job opportunity
- Improve the balance of payment through import substitution and export generation
- Help to upgrade the domestic capabilities and the productivity of local firms.

Negative Impacts of TNCs

- Environmental degradation
- Discourage domestic firms

- May exercise direct interference in the political system and culture of the host country.

In a nutshell, the major global challenges that are threats of humanity are:-

- War and conflict
- Absolute mass poverty, malnutrition, famine
- Rapid increase of population
- Violation of human rights
- Environmental problems & hazard
- The expansion of epidemic diseases especially HIV/AIDS

Those the above described and other major global challenges of humanity will be either worsened or overcome through globalization. Therefore, exploiting the merits of globalization is too much necessary to minimize its negative impacts. Invention of internet technology, the transfer of technology, and knowledge, and free flow of goods and peoples would bring substantial change and development human life if all these are well managed. In order to exploit the benefits of globalization the capacity of the state and its citizens need to be strengthened. In this regard the role of developmental state has paramount significance.

Activity

1. What shall one state do to benefit from globalization?
2. How can you describe the effects of globalization in developing countries?
3. Are the major global challenges of humanity worsened by globalization?
4. How can you differentiate globalization from civilization, democratization, internationalization and other related concepts?

5. What makes globalization as a multidimensional process?**Chapter Summery**

Globalization is a broad concept that is often used to describe a variety of phenomena that reflect increased interdependence of countries. Such interconnection has been deepened by the process of trade liberalization, increased role of international organizations such as the World Bank, International Monetary Fund, WTO and TNCs. Despite the idea that globalization is benefiting all, the challenges of it seems to overweigh the benefits. Due to the increasing tendency of trade protections by the developed countries, the developing countries have facing difficulties to access to market for their products which are mainly agricultural commodities. Despite the hopes that TNCs would help to minimize the gap between the rich and the poor countries, their contribution and operation in the developing countries is not that much significant. As result most developing countries are not equally benefiting.

Due to the deepening of cultural globalization, the life style of the youth in urban areas is very much impacted. Western media, film industries, recorded music are the main vectors of cultural diffusion from the west to the rest. In addition as the boundaries of states are becoming hallow, illicit trade, terrorism, drug trafficking and the spread of diseases are some of the challenges of globalization.

Globalization has also opportunities. The invention of internet technology, the transfer of technology, and knowledge, and free flow of goods and peoples would bring substantial change and development human life if all these are well managed. In order to exploit the benefits of globalization the capacity of the state and its citizens need to be strengthened. In this regard

the role of developmental state has paramount significance. Developmental state is a state which is competent enough to exploit and cope of the challenges of globalization to ensure sustainable development.