Understanding Globalisation - Audio

Is globalisation a good thing or a bad thing for the world?

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Globalisation has had large-scale impact on all industries and countries. It can be seen as either a driver of world economic growth or as potentially damaging to social and political institutions and national cultures. For example, do the power of global brands drive out local products and local produce? Or do the existence of global technologies such as the web or temperature-controlled lorries make it possible for small local producers of jewellery or woodcarvings to find customers around the world or for a country such as Kenya to develop a global flower industry?

Why is there so much opposition to globalization - usually known as the anti-globalization movement?

Such anti-globalisation protests are now an expected part of the ritual of meetings of world leaders - for example at the G20 meetings, or the annual Davos World economic forum in Switzerland.

Despite its diversity, the anti-capitalist, anti-globalisation protest movement has been influential in broadening awareness, policy and behaviour in corporate social responsibility and has created a momentum of change in some areas such as anti-‘sweatshop’ campaigns which have put pressure on companies such as US sportswear manufacturer Nike, to improve working conditions in developing economies where many of their production facilities are based.

‘Cheap’ labour is always relative and will inevitably disappear over time, since growth raises national prosperity and standards of living and expectations about rates of pay. The difficulty is that growth therefore requires developed economies to shift continuously into higher value-added sectors and jobs, leaving the lower value-added for developing economies.

In India currently, and more recently in Pakistan, information technology based exports are booming. One of the reasons for this is that the technology and software industries in India have a very highly skilled workforce. However, India’s skilled graduates cost less than one-tenth of their equivalent in the US. On one level this is exploitation of a much cheaper workforce that’s also a very highly skilled workforce. However such exploitation opportunities will be temporary. Workers wages in India are rising rapidly to world levels. Indeed, in the 1950’s and 1960’s Japan was a cheap labour economy, as were we all at different times in our histories; but by the 1980’s onwards, Japanese labour was amongst the world’s most expensive and with one of the world’s highest standards of living.

The Winners and Losers argument about globalization implies that the winners are in the developed economies and the losers in the developing economies. The reality is far less clear-cut. There are also significant numbers of ‘losers’ from many declining industries in the developed economies such as mining, steel production, agriculture or shipbuilding.

It’s for this reason that some developed economies
(for example, France within the EU) have continued to fight for agricultural subsidies to protect their own jobs and farming communities. Employment in these industries has been just as affected by globalization as groups in poorer countries. Less well understood is the extent to which trading opportunities are denied to third world economies as a result of not enough globalization of world trade rather than too much.

For example the rich world still keeps many high trade barriers against the poorer world, such as the EU Common Agricultural Policy (CAP) which is still a major problem. Reform of CAP, with its depressing effect on international trade in agriculture, would be of immense assistance to the poorer parts of the world.

What do people mean when they talk about globalisation creating a ‘race to the bottom’?
The strongest criticisms accuse global firms of engineering the exploitation of workers and the environment, of widening inequalities and disparities around the world and of using the developing economies as a dumping ground for products and processes no longer acceptable in the richer world. The popular phrase for this process accuses global firms of creating a ‘race to the bottom’. Global MNCs are accused of playing off governments and workforces against each other in a battle for the lowest wages and the lowest costs.
So does efficiency for global firms translate into exploitation of people and resources in developing economies?

Large national differences in wage rates and living standards exist within regions of the world as well as between regions. For example within Europe, as well as between Europe and the developing economies of Asia and Africa. By broadening its membership to the current twenty-five members in 2004 and a future proposed twenty-nine, the EU is responding politically and institutionally to the race to the bottom. Extending regional boundaries or removing some of the national barriers to migration forms part of redressing the relative inequalities. The US and Mexico in NAFTA, or East and West Germany on reunification, have tried to develop their economies jointly to try to address political, economic and social inequalities and create opportunities for shared standards of living over time. However this will take time, with an average of 56 years to develop similar standards of living between older and newer members of the EU members.

Shared world-wide political values, shared world-wide standards of living and shared world-wide life expectancy do not exist.

Despite globalisation - does geography still matter?

Think for example of ‘industry clusters’.

Industry clusters are formed from sets of skills, resources and experience effects which are not be found elsewhere in the world, that cannot easily be recreated or imitated elsewhere. It is the concentration of complex expertise in a specific geographic area that is significant.

Well-known examples of such strong industry clusters include:

- the design, fashion and luxury goods industry cluster around Milan, Italy
- the motion picture industry clusters of Bollywood (India) and Hollywood (USA)
- the computer software industry clusters of Bangalore (India) and California (USA)