



The Challenge of Globalisation

Globalisation is a buzz word of the moment. It is probably one of the most talked about yet least understood concepts of this new millennium.

Environmentalists, human rights advocates, trade unionists, dispossessed third world farmers and citizens groups decry it and sometimes violently protest at summits of the world's most powerful leaders, whether at Seattle, Washington, or Cancun. At the same time economists, business leaders and transnational companies and global institutions such as the World Bank, praise globalisation as a historical inevitability. The box below summarises some of these conflicting views and shows how divided global opinions are.

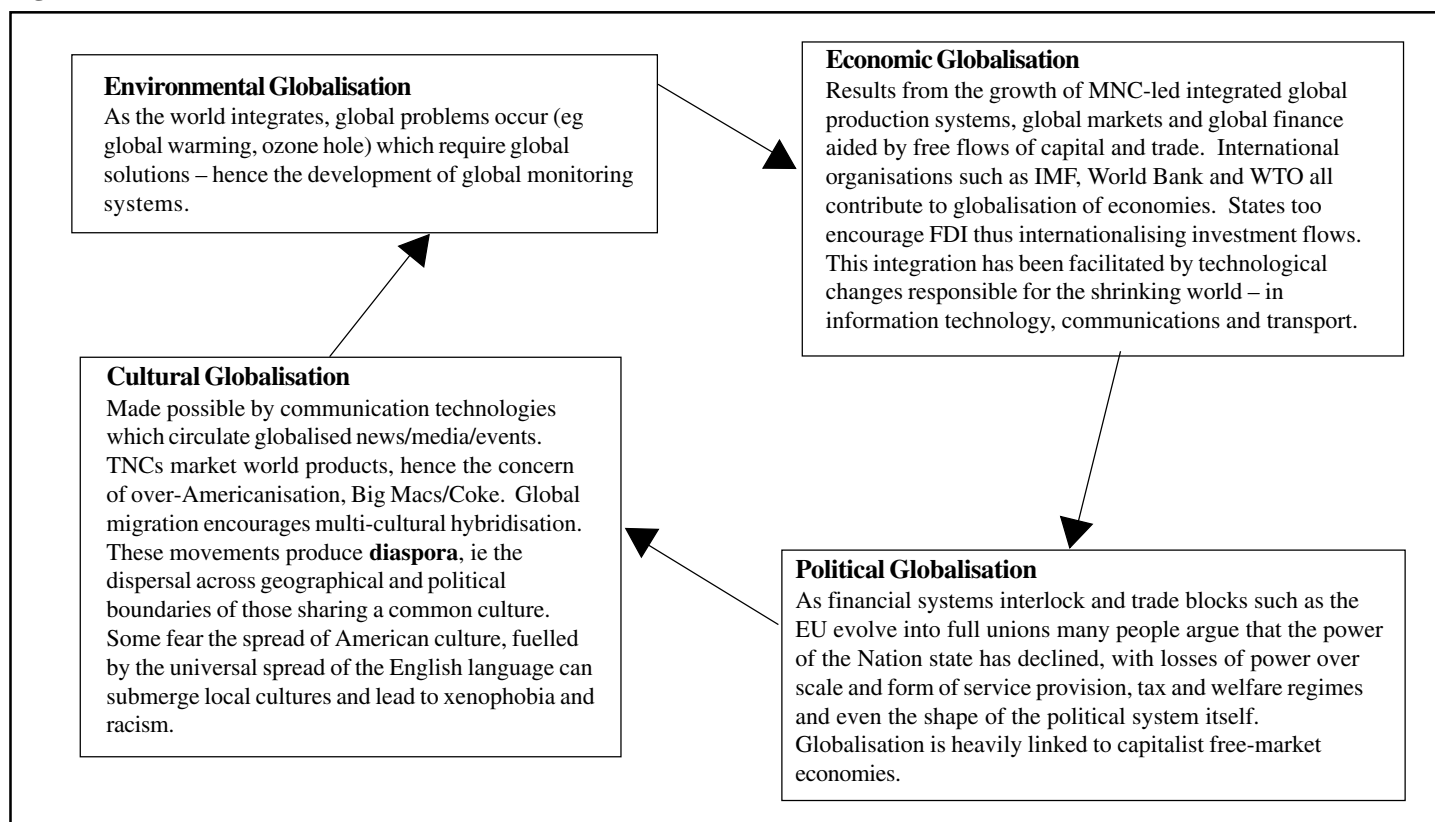
- 'Globalisation is irreversible and irresistible' (Tony Blair, UK Prime Minister)
- 'Globalisation, which centralises power, destroys livelihoods, and creates displacement of people and environmental destruction' (V Shriya, Indian environmentalist)
- 'Globalisation is not a policy choice, it's an economic and social-cultural fact' (Bill Clinton, ex US President)
- 'Globalisation is generating great wealth, which could be used to massively reduce poverty world wide and global inequality' (Director of Nike)
- 'Globalisation is destroying millions of livelihoods. We must fight back for our survival' (Sarath Fennando, Movement for Land & Agricultural Reform, Sri Lanka)
- 'Far from being the cause of poverty and other misery, globalisation is the solution' (Singapore Prime Minister)

Review

Sort them into for, against and neutral and explain why each has their opinion.

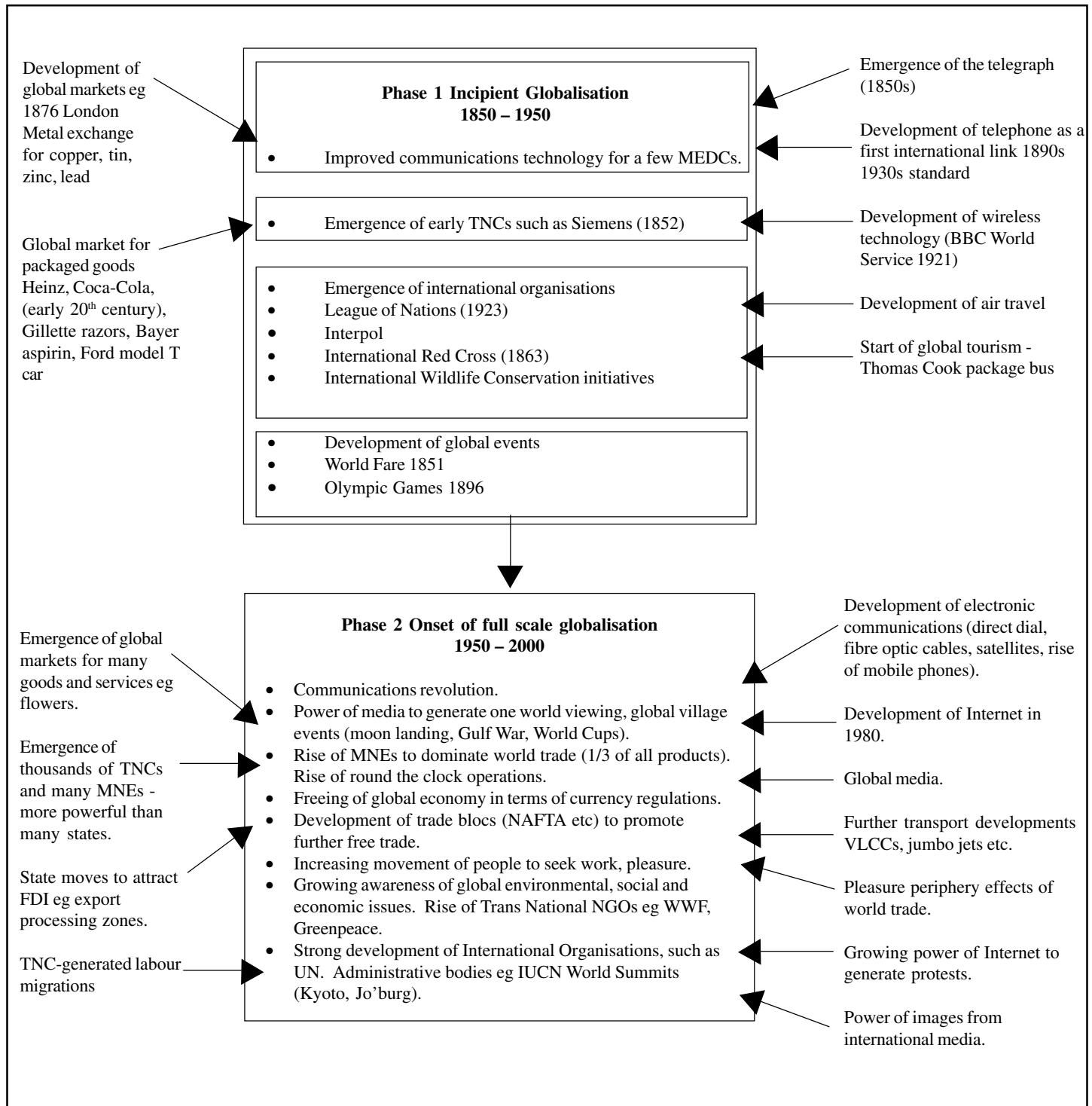
The purpose of this Factsheet is therefore to peel back the layers to find out what exactly globalisation is, and to assess its benefits and costs. Whilst globalisation is traditionally seen as a primarily economic concept, '**the functional integration of the World's economies**', over time this has broadened (see Fig 2).

Fig 2



The Development of Globalisation

Fig 3a shows how globalisation has evolved over time. As can be seen, there are a number of factors which have promoted its development.

Fig 3a. Development of globalisation

The Effects of Globalisation may be described as:

- **extending activities** across the globe, networking across frontiers
- increasing **intensity** of interactions and flows between nations and societies
- increasing the **speed** of these flows and interactions
- magnifying the **impacts** of these flows and links between places and societies.

Review

Identify 5 main factors which have led to the development of globalisation and explain their contribution.

As can be seen from Fig 3b globalisation is in the balance with either a move to advanced globalisation, or the overthrow of its key features by an ever increasing **anti-globalisation lobby**.

Fig 3b In the balance



To help you to form your views as to which way globalisation should go, look at these two case studies on economic globalisation and its impacts.

1. Globalisation is Good – Industrialisation in Vietnam

One favourable aspect of economic globalisation cited is that it raises living standards in many poor countries such as Vietnam.

In the words of Lee Kuan Yew (father figure prime minister of Singapore) Vietnam has the necessary attributes to benefit from globalisation and achieve Newly Industrialised Country-style rapid growth (average 1992-2000) of 8-10% per year. These attributes include a resilient, increasingly broad-based economy, a comparatively well educated yet low cost workforce, and good access to world markets (in 2001 a Vietnam-US trade agreement was finally confirmed). Furthermore, the governing socialist party has recognised the significance of Economic Reform, and the need to develop a market economy based on public-private partnership, although some difficulties continue to occur. Until recently foreign investors have been put off by the lack of legal, banking and accounting systems and the archaic infrastructure compared to Malaysia, Thailand or Philippines. Much of the industrialisation has taken place in the South, especially in

Binh Duong province some 20 miles north of Ho-Chi Minh City leading to a marked disparity of wealth between this area, and Hanoi (the political power base) and even more so other Northern rural provinces such as Thai Binh or Ha Giang.

From being a country very dependent on rice and other agricultural exports the leading exports by value in 2002 were textiles and garments (19%), petroleum (13%), footwear (11%) with rice only taking number 4 position of just over 10%.

Case study of Vietnam Singapore Industrial Park

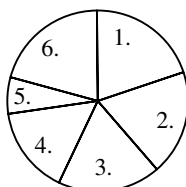
Vietnam Singapore Industrial Park (VSIP joint venture) was established with foreign investment from the two governments and other major investors. Work started in February 1996. The progress can be seen from the tables below. It represents just one of about 30 such new industrial and business parks, largely found in the favourable environment of Ho Chi Minh City.

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cumulative number of projects	0	4	11	19	29	40	59	86	135
Investment capital annual (US \$ mill)	55	144	45	47	97	30	75	119	58
People employed	0	63	967	2,111	4,860	9,952	18,023	25,697	27,000+
Local sales US \$ mill	0	6.88	18.6	23.5	51.5	88.4	180.2	n/a	2.9+
Exports US \$ mill	0	0	1.3	4.4	11.22	36.8	128.3	189.8	38+

The success is dependent on the quality of the infrastructure and customer services established by VSIP.

Investors in VSIP

1. Japan 27 projects
2. Singapore 25 projects
3. Taiwan 25 projects
4. US & Europe 21 projects
5. Vietnam 9 projects
6. Other Asian countries 28 projects



Conclusion

- Globalisation is clearly raising living standards in Vietnam with a six-fold rise in GDP in six years.
- Globalisation initially accelerated disparities, but gradually industrial developments have spread to lower cost locations in Hanoi, Hue, Danang and Haiphong.
- Globalisation has given Vietnam a NIC style profile but 25% of people remain below a Vietnamese poverty line.
- If prices rise in Vietnam – its off to Lao Republic and Cambodia!

2. Globalisation is bad – Unfair World Trade?

Trade is one of the most powerful forces linking our lives, and a source of unprecedented wealth. Yet millions of the world's poorest people are being left behind. Increased prosperity has gone hand in hand with mass poverty. Already obscene inequalities between rich and poor are widening.

World trade could be a powerful motor to reduce poverty, and support economic growth, but that potential is being lost. The problem is not that international trade is inherently opposed to the needs and interests of the poor, but that the rules that govern it are rigged in favour of the rich.

If Africa, East Asia, South Asia, and Latin America were each to increase their share of world exports by one percent, the resulting gains in income could lift 128 million people out of poverty. In Africa alone, this would generate \$70bn – approximately five times what the continent receives in aid.

In their rhetoric, governments of rich countries constantly stress their commitment to poverty reduction. Yet in practice rigged rules and double standards lock poor people out of the benefits of trade, closing the door to an escape route from poverty. For example:

Rich countries spend \$1bn every day on agricultural subsidies. The resulting surpluses are dumped on world markets, undermining the livelihoods of millions of smallholder farmers in poor countries.

When developing countries export to rich-country markets, they face tariff barriers that are four times higher than those encountered by rich countries. Those barriers cost them \$100bn a year – twice as much as they receive in aid.

- | | |
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| <ul style="list-style-type: none"> • While rich countries keep their market closed, poor countries have been pressurised by the International Monetary Fund and the World Bank to open their markets at breakneck speed, often with damaging consequences for poor communities. • The international community has failed to address the problem of low and unstable commodity prices, which consign millions of people to poverty. Coffee prices, for example, have fallen by 70 percent since 1997, costing exporters in developing countries \$8bn in lost foreign-exchange earnings. | <ul style="list-style-type: none"> • Powerful transnational companies (TNCs) have been left free to engage in investment and employment practices which contribute to poverty and insecurity, constrained only by weak voluntary guidelines. In many countries, export-led success is built on the exploitation of women and girls. • Many of the rules of the World Trade Organisation (WTO) on intellectual property, investment, and services protect the rich. |
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Reform of world trade is only one of the requirements for ending social injustices that pervade globalisation. Action is also needed to reduce inequalities in health, education, and the distribution of income and opportunity, including those inequalities that exist between women and men. However, world trade rules are a key part of the poverty problem; fundamental reforms are needed to make them part of the solution.

Ultimately, there is a clear choice to be made. We can choose to allow unfair trade rules to continue causing poverty and distress, and face the consequences, or we can change them. We can allow globalisation to continue working for the few, rather than the many, or we can forge a new model of inclusive globalisation, based on shared values and principles of social justice. The choice is ours. And the time to choose is now.

Source – Make trade fair campaign.

Fig 4 - Globalisation – the balance sheet

	Pros	Cons
Environment	<ul style="list-style-type: none"> • Diffusion of good values of environmental conservation and human rights. • Global consciousness has led to greater ecological awareness. • International co-operation in the management of the environment eg CITES. • Improved technologies for monitoring. 	<ul style="list-style-type: none"> • Many global economic activities are exploitative and degrade and pollute the environment. • Global competition → overuse of environmental resources. • Development → global ecological changes which lead to biodiversity loss and have led to fear and uncertainty about the future.
Improving quality of life	<ul style="list-style-type: none"> • Global capitalisation has led to many countries having rapid economic growth (NICs, RICs, some LEDCs) but bypasses LDCs. • Greater extremes of inequality and also internal disparities. 	<ul style="list-style-type: none"> • Many LDCs have just got poorer and face economic restructuring in order to solve their debt crises. This has hampered efforts to alleviate poverty of their citizens.
Economy and employment	<ul style="list-style-type: none"> • TNCs and globalised industries have generated millions of new jobs in NICs and LDCs. 	<ul style="list-style-type: none"> • Relocation of branch plants has brought job losses and fear for job security. • Global capitalism is generally less labour intensive.
Culture	<ul style="list-style-type: none"> • Global links have increased opportunities for self development in global travel and tourism. • Global technologies have reinvigorated some declining cultures. 	<ul style="list-style-type: none"> • Globalisation has led to loss of some traditional cultures/ religions. • Globalisation has become cultural Americanisation (hamburgers and cokes). • The speeding up of social life with greater insecurity and fear of the future.
Political	<ul style="list-style-type: none"> • Greater global co-operation to deal with problems in a structured way. e.g UN and wars in Africa 	<ul style="list-style-type: none"> • Decline of the nation state.

Fig 4 shows the globalisation balance sheet. As can be seen from the case studies, there can be both good and bad effects. Indeed a good effect for some people may be bad for others. Also public opinion can change. Currently in an era of single Super Power supremacy there is much anti- American feeling, and this leads to associated protest about cultural globalisation as it is seen as McDonaldisation, or there is strong anti EU feeling throughout Europe, perhaps especially in the UK.

Fig 5. The impact of globalisation

Economic	Under the auspices of WTO world trade has expanded rapidly, especially between MEDCs and MECs and NICs. Most LDCs feel excluded from benefits
Socio-cultural	Western culture has diffused around the globe – for example global brands of drinks, shoes and clothes, global sports stars have emerged. Yet other cultures such as Islam have become global too. Cultural diffusion is a multiway process and leads to genuine fusion (cooking etc.)
Linguistic	English (American is now dominant as a world language at the expense of many native languages in the global village)
Political	The power of nation states has diminished at the expense of trade blocs. Many nation states have smaller economics than TNCs. New institutions such as EU, and a reinvigorated UN develop
Demographic	Global migrations are increasing leading to more and more multicultural communities. Economic migration underpins globalisation
Financial	A global network of world cities has evolved. Sophisticated mechanisms allow for global movement of capital / technology. Global terrorism can be financed from money laundering.
Environmental	Many environmental problems such as global warming or ozone depletion are truly global. Some international action is possible but slow to work e.g. kyoto
Media	Global village prevails with many sporting and cultural events genuinely global e.g. 2004 Athens Olympics, World Cup etc.

As can be seen for each negative impact a positive one can be found too.

Measuring Globalisation

Whilst globalisation and its impacts would seem to be increasing a number of countries are **excluded** because they attract so little foreign direct investment or TNC interest. These are largely LDCs where most of the world's poorest people live.

The degree of globalisation can be measured within a country by the following criteria

- **Use of global technology**
e.g. numbers of internet users, internet hosts and secure servers or the quality of international telephone linkages
- **Political engagement**
Number of memberships of international organisations or number of foreign embassies hosted.
- **Personal contacts**
Number of passport holders as a percentage of total population, or volume of international tourism, or cross border activity, or volume of international telephone calls.
- **Economic integration**
Amount of FDI attracted. Number of HQ of MNEs. Volume of trade flows visible and invisible size of financial markets
- **Cultural integration**
Degree of multi cultural of people. Attitudes to immigration, refugees etc. Number of world events hosted.

Highly globalised countries could include Switzerland, Singapore and the Netherlands as well as Ireland (Number 1)

Exam Hint – Use this factsheet and the further research suggestions to formulate your views for and against globalisation to make sure you always achieve a balanced argument, well-supported with case studies. Also make sure which type of globalisation you are discussing.

Further Research

Texts

- Rethinking Globalisation ed B Bigelow Rethinking Schools Resources
- Globalisation Gary Donnellan Independence
- The Challenge of Globalisation Oxfam
- Globalisation What's it all About Tide/Birmingham Development Centre
- No Nonsense Guide to Globalisation Ellwood Verso Books
- Development, Globalisation and Sustainability John Morgan Nelson Thornes
- Globalisation P Guinness Hodder Access series

Websites

- these websites will be a good starter to adopt a balanced view:
- www.tidec.org
- www.dea.org.uk
- www.hodderheadline.co.uk (new website for VI formers)
- www.iied.org
- www.oxfam.org.uk

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