Sustaining Globalization in an Environment of Rising Nationalism

Dr. K. R. Subramanian¹, Prof. (Dr.) D.S. Chaubey²
¹(Professor of Management & Business Consultant), Life Advisor – Kotak Mahindra Old Mutual Life Insurance Ltd., INDIA
²Dean Research& Studies, Uttaranchal University, Dehradun, INDIA

ABSTRACT
A buzz word in business circles in the last two decades- seems to lose its sting in the current business environment, where the nationalists are making noise in their countries to the detriment of global business growth. Unbridled terrorism, sometimes with its religious tinge has not been helpful to promote the concept of global trade and business for mutual benefit. Developed countries, see globalization as an opportunity to expand their markets and further gain market access, whereas the less developed and economically starved countries see it as an opportunity to gain access to technologies to gain a foothold in international trade and business. However there has been criticism of the developed countries exploiting less developed countries by dumping goods and less developed countries still denied access to technologies to improve their product quality and manufacturing practices. The Tariff equalization or rationalization has only benefitted the developed countries. With the growing splinter groups in politics forming unholly alliance to form governments in developing countries and their rhetoric of national interests for gaining short term political gains, the desirable lofty purposes of globalization is losing relevance. Can this trend be bucked and globalization put back on rail? The authors take an incisive look at the problems and prospects!

Keywords--- Nationalism in business environment, unbridled terrorism, market access vs. technological upgradation, exploitation by developed countries, dumping for market expansion, tariff rationalization and now the rhetoric of national interests gaining momentum and decelerating process of globalization.

I. INTRODUCTION

Indian economy was in deep trouble in July 1991, when foreign currency reserves had reduced to almost $1 billion; Inflation had soared to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost interest in Indian Economy. Capital was flying out of the country and India was close to defaulting on loans. Along with these bottlenecks at home, many unpredictable changes swept the economies of nations in Western and Eastern Europe, South East Asia, Latin America and elsewhere, around the same time. These were the economic compulsions at home and abroad that called for a complete overhauling of our economic policies and programs. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included the following:

The new Economic Policy known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy a fast growing economy and globally competitive. This period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade can hardly be overlooked. This era of reforms also ushered in a remarkable change in the Indian mindset, as it deviates from the traditional values held since Independence in 1947, such as self reliance and socialistic policies of economic development, which mainly due to the inward looking restrictive form of governance, resulted in the isolation, overall backwardness and inefficiency of the economy. And having witnessed the positive role that Foreign Direct Investment (FDI) has played in the rapid economic growth of most of the Southeast Asian countries and most notably China, India embarked on an ambitious plan to emulate the successes of her neighbors in the east and is trying to sell herself as a safe and profitable destination for FDI.

But recent development around the world and closer at home give rise to many questions about the sustainability of globalization. Now the time has come to realize that Globalization is not a panacea, to various economic and political problems of the world. Whereas globalization was the buzz word in the early 90s and even for a couple of decades after that, it seems to have lost its
appeal. Consider for example what is happening in the US. The election campaign for the next president of one of the most influential countries of the world has heated up. A rise in nationalistic aspirations of the people, are seen in the campaign manifestos. After the so called 9/11 incidents and the aftermath of it, popular sentiments have been whipped up for a more secure and protected economy. There are rising concerns about influx of talented international and global work force (and somewhat more affordable for employers!). Against the back drop of cries for globalization of trade and commerce for the advantage of nations for pushing their wares across to developing countries for profits without any concurrent transfer technologies for advancement of those countries for improving their competitive positions in the world market, this had the effect of deepening the gulf between these countries.

Terrorism is a real issue, where there is a genuine concern for all countries and perhaps a common meeting ground can be created for a united effort to meet the challenges posed by the threat of terrorism against human civilization. Dogmatic religious sentiments find it difficult for a solution to this anti-social problem facing the countries of the world. A uniform world order of understanding and a give and take attitude of cooperation for better commerce and trade is becoming a more and more difficult dream to chase. World trade and globalization has taken a back seat in the light of these developments.

Political development in the world economies, have also been not favorable for a climate of globalizing commerce and trade. The European Union (EU) seems to be breaking up! After the two world wars the same countries of the European continent had found it suitable to align their economic policies for integrated development of the shattered region. But now several members want to withdraw from the union because of the local cries for protecting their own currencies instead of the common currency of Euro Dollar, which in the meantime has become a strong currency in the world market! Election times in India and closer to our home have revealed campaigns for promoting Nationalistic feelings at the cost of creating an equitable world order.

II. REVIEW OF LITERATURE

The first step by India towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector. At present, only six industries are under compulsory licensing mainly on account of environmental safety and strategic considerations. A significantly amended location policy in tune with the liberalized licensing policy is in place. No industrial approval is required from the government for locations not falling within 25 km, of the periphery of cities having a population of more than one million.

FDI across a wide spectrum of industries are encouraging non-debt flows. Some of the recent initiatives taken to further liberalize the FDI regime, inter alia, include opening up of sectors such as Insurance (up to 26%); development of integrated townships (up to 100%); defense industry (up to 26%); tea plantation (up to 100% subject to divestment of 26% within five years to FDI); enhancement of FDI limits in private sector banking, allowing FDI up to 100% under the automatic route for most manufacturing activities in SEZs; opening up B2B e-commerce; Internet Service Providers (ISPs) without Gateways; electronic mail and voice mail to 100% foreign investment subject to 26% divestment condition; etc. The Department has also strengthened investment facilitation measures through Foreign Investment Implementation Authority (FIIA). In addition, Government has extended some concessions especially for NRIs and overseas corporate bodies having more than 60% stake by NRIs.

Many theorists asserted that change in environment has both positive and negative aspects (Harris, 2002). These stimulate driving or resisting forces toward the change of the status quo. This is most obvious relative to both globalization, and the resulting spread of the global organization. There are four factors that accelerate globalization: The market imperative: Impact on national economies of larger, transnational markets characterized by free, convertible currencies, open access to banking, and contracts enforceable by law. The resource imperative: Growing interdependence of nations and their activities on one another, fostered by the depletion of natural resources, misdistributions of arable land, mineral resources, and wealth, as well as overpopulation. The undeveloped nations need the capital, technology, and brainpower of the wealthier countries, while the First World economies are progressively dependent on the natural and human resources of the developing nations. The IT imperative: Modernization in global communications, science and technology has contributed toward universal appeal. The ecological imperative: Globalization does have great effect on the ecologies and environments of nations which need to safeguards that lessen the negative effects rather than exploiting without regard to such concerns.
III. RESEARCH OBJECTIVES

The broad objectives of the present research paper are clear from the survey of literature and extensive desk research. But for the sake of clarity they are given below;
1. Analyze trends in Globalization since 1991 onwards of LPG.
2. To understand the impact of Globalization in Indian economy.
3. To study the impact of globalization in other developing countries
4. Evaluate Economic and Social benefits accruing to India through Globalization.
5. A critical analysis of trends and review as to where Globalization is leading to.
6. To recommend course corrections and policy changes to benefit our society.

Since a large volume of published literature is available on the topic and it being very current, the author has relied on the desk research and review of literature published in Journals, periodicals and the electronic medium and web pages.

IV. ANALYSIS OF DATA AND RESULTS

Extensive data available, as outlined in the References section was put to good use by making a thorough classification and analysis. We give below the details of the data collected and analyzed for the purpose of arriving at logical conclusions that would lead to suitable recommendations as a result of the research study.
The rate of GDP growth of India has been on the increase from 5.6 per cent during 1980-90 to seven per cent in the 1993-2001. The annual growth rate of the GDP was impressive at 7.5 per cent (2003-04), 8.5 per cent (2004-05), nine per cent (2005-06) and 9.2 per cent (2006-07). The foreign exchange reserves (as at the end of the financial year) were $ 39 billion (2000-01), $ 107 billion (2003-04), $ 145 billion (2005-06) and $ 180 billion (in February 2007). The cumulative FDI inflows from 1991 to September 2006 were Rs,1,81,566 Cr. (US $ 43.29 billion). The sectors attracting highest FDI inflows were electrical equipments including computer software and electronics (18 per cent), service sector (13 per cent), telecommunications (10 per cent), transportation industry (nine per cent), etc. In the inflow of FDI, India surpassed South Korea to become the fourth largest recipient. India controls at the present 45 per cent of the global outsourcing market with an estimated income of $ 50 billion. In respect of market capitalization (which takes into account the market value of a quoted company by multiplying its current share price by the number of shares in issue), India is in the fourth position with $ 894 billion after the US ($ 17,000 billion), Japan ($ 4800 billion) and China ($ 1000). India is expected to soon cross the trillion dollar mark. As per the Forbes list for 2007, the number of billionaires of India has risen to 40 (from 36 last year) more than those of Japan (24), China (17), France (14) and Italy (14) this year. A press report was jubilant: This is the richest year for India. The combined wealth of the Indian billionaires marked an increase of 60 per cent from $ 106 billion in 2006 to $ 170 billion in 2007.

V. THE DARK SIDE OF GLOBALIZATION

On the other side of the medal, there is a long list of the worst of the times, the foremost casualty being the agriculture sector. It plays a vital role not only in providing food and nutrition to the people, but also in the supply of
raw material to industries and to export trade. In 1951, agriculture provided employment to 72 per cent of the population and contributed 59 per cent of the gross domestic product. However, by 2001 the population depending upon agriculture came to 58 per cent whereas the share of agriculture in the GDP went down drastically to 24 per cent and further to 22 per cent in 2006-07. This has resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness. The agricultural growth of 3.2 per cent observed from 1980 to 1997 decelerated to two per cent subsequently. Low investment, imbalance in fertilizer use, low seeds replacement rate, a distorted incentive system and low post-harvest value addition continued to be a drag on the sectors performance. With more than half the population directly depending on this sector, low agricultural growth has serious implications for the inclusiveness of growth.

The market economy seems to be more concerned with the growth of consumerism to attract the high income groups who are mostly in the cities in the developing countries. Rural economy and the agricultural sector were out of focus in the strategy of globalization. The proportion of the unemployed to the total labor force has been increasing from 2.62 per cent (1993-94) to 2.78 per cent (1999-2000) and 3.06 per cent (2004-05). In absolute figures, the number of unemployed had been in those years 9.02 million, 10.51 million and 13.10 million respectively. (Economic Survey 2006-07, Table 10.4). The ILO Report (2004) stated: In India, there had been winners and losers. The lives of the educated and the rich had been enriched by globalization. The information technology (IT) sector was a particular beneficiary. But the benefits had not yet reached the majority, and new risks had cropped up for the losers the socially deprived and the rural poor. Significant numbers of non-perennial poor, who had worked hard to escape poverty, were finding their gains reversed. Power was shifting from elected local institutions to unaccountable trans-national bodies. Western perceptions, which dominated the globe media, were not aligned with local perspectives; they encouraged consumerism in the midst of extreme poverty and posed a threat to cultural and linguistic diversity.

There are some negative impact of globalization such as this process made disparity between rural and urban Indian joblessness, growth of slum capitals and threat of terrorist activities. Globalization increased competition in the Indian market between the foreign companies and domestic companies. With the foreign goods being better than the Indian goods, the consumer preferred to buy the foreign goods. This reduced the amount of profit of the Indian companies. This happened mainly in the pharmaceutical, manufacturing, chemical, and steel industries. The negative Effects of Globalization on Indian Industry are that with the coming of technology the number of labor required are decreased and this resulted increasing unemployment especially in the arena of the pharmaceutical, chemical, manufacturing, and cement industries. Some sections of people in India that are poor do not get benefit of globalization. There is an increasing gap between rich and poor that lead to some criminal activities. Ethical responsibility of business has been reduced.

The Quality of education has not been made available to the rural and poor; only the city dwelling upwardly mobile class has benefitted. Another major negative effect of globalization in India is that youngsters of India are leaving their studies very early and joining Call Centers to earn fast money; unsatisfactory social life after getting habituated with monotonous work makes them desperate. The institution of marriage is breaking down at fast rate. There are more people approaching divorce courts instead of maintaining marital stability and balance. Globalization has considerable impact on the religious situation of India. Globalization has brought about raising a population who is agnostic and atheist. People visiting places of worship are reducing with time. Globalization has reduced nationalism and patriotism in country.

VI. VICTIMS OF GLOBALIZATION

In his ‘Making Globalization Work’, Nobel Laureate Stiglitz wrote: ‘Trade liberalization opening up markets to the free flow of goods and services was supposed to lead to growth’. The evidence is at best mixed. Part of the reason that international trade agreements have been so unsuccessful in promoting growth in poor countries is that they were often unbalanced. The advanced industrial countries were allowed to levy tariffs on goods produced by developing countries that were, on average, four times higher than those on goods produced by other advanced industrial countries. In his foreword to ‘The Dynamics and Impact of Globalization’ by Dr. M. V. Louis Anthuvan, Justice V. R. Krishna Iyer pointed out pithily: ‘The New World Order is the product of what is now familiarly described as globalization, liberalization and privatization. The weaker sectors like the Asian and African countries are victims, whose economic welfare is slavery, at the disposal of the White world. When World War II came to a close, commercial conquest and trade triumph became the major goal of the United States and the other giant trade powers. Indeed, these mighty countries and companies even made world hunger as Big Business. The poorer countries with natural resources have been made banana republics and cucumber vassals’.

The Human Development Report 2006 recorded: Globalization has given rise to a protracted debate over the precise direction of trends in global income distribution. What is sometimes lost sight of is the sheer depth of inequality and the associated potential for greater equity to accelerate poverty reduction. Measured in the 2000 purchasing power parity (PPP) terms, the gap between the
incomes of the poorest 20 per cent of the world’s population amounts to about $300 billion. That figure appears large, but it is less than two per cent of the income of the world’s wealthiest 10 per cent.

Globalization, which attempts to amalgamate every local, regional, and national economy into a single world system, requires homogenizing locally adapted forms of agriculture, replacing them with an industrial system – centrally managed, pesticide-intensive, one-crop production for export – designed to deliver a narrow range of transportable foods to the world market. Example: South City Mall in Kolkata, India (Fig 2). ‘In the developing world, the problem of population is seen less as a matter of human numbers than of western overconsumption. Yet within the development community, the only solution to the problems of the developing world is to export the same unsustainable economic model fuelling the overconsumption of the West.’

VII. HOW TO MAKE GLOBALIZATION WORK?

Under the phenomenal growth of information technology which has shrunk space and time and reduced the cost of moving information, goods and capital across the globe, the globalization has brought unprecedented opportunities for human development for all, in developing as well as developed countries. India should pay immediate attention to ensure rapid development in education, health, water and sanitation, labor and employment so that under time-bound programs the targets are completed without delay. A strong foundation of human development of all people is essential for the social, political and economic development of the country. Without a sustainable and productive growth of the agricultural sector, the other types of development in any sphere will be unstable and illusory. Despite the concerted development in manufacturing and service sectors, despite the remarkable inflow and overflow of foreign reserves, agriculture is still the largest industry providing employment to about 60 per cent of the workforce in the country. Mere growth of the GDP and others at the macro level in billions does not solve the chronic poverty and backward level of living norms of the people at the micro level. The growth should be sustainable with human development and decent employment potential.

The process of globalization has changed the industrial pattern and social life of global people and it has immense impact on Indian trade system. The globalization of the economic, social and cultural structures has happened in all ages. Previously, the pace of process was slow. Today with the progress of the information technology, new ways of communication have made the world a very small place. With this process, world is a big market place. Globalization has resulted in increase in the production of a range of goods. MNCs have established manufacturing plants all over the world. It has positive effects and India will overcome many obstacles and adopt global policies to expand business at international scale. India is gaining international recognition and strengthening in economic and political areas. What we need to understand is whether this is happening at the cost of disadvantage to the poor people who depend on the agricultural income and village and small scale industries.

VIII. CONCLUSIONS AND RECOMMENDATIONS

As we have seen from the foregoing data analysis, globalization has helped India to improve its trade and economic growth rate in some sectors of industry. GDP growth rate and Balance of payment position have improved and the growth rate is sustained. In fact the present growth rate of India is comparatively better than
Globalization has many benefits and also detrimental results to the culture in the developing countries. Many developing countries’ cultures have been changed through globalization and imitate other cultures such as, American and European countries. Before globalization it would not have been easy to know about other countries and their cultures. Due to important tools of globalization like television, radio, satellite and internet, it is possible today to know what is happening in any country such as, America, Japan and Australia. Moreover, people worldwide can know each other better through globalization. In addition, today we can see clearly a big effect that is caused by globalization to the young people in the different poor nations: it is very common to see teenagers wearing Nike T-Shirts and Adidas footwear, playing Hip-Hop music, using Apple ipad and iphone and eating at MacDonald, KFC and Domino's Pizza. One the other hand, many developing countries are concerned about the rise of globalization because it might lead to destruction of their own culture, traditional identity, customs and their language. Many Arab countries such as Iraq, Syria, Lebanon and Jordan, as developing countries have been affected negatively in some areas of their cultures, Developing Country Studies indicate customs and traditional have been changed. They wear and behave like developed nations, a few people are wearing their traditional clothes that they used to. Furthermore, globalization leads to disappearing of many words and expressions from local language because many people use English and French words. In addition, great changes have taken place in the family life, young people trying to leave their families and live alone when they get 18 years old, and the extended family tends to become smaller than before (Kurdishglobe, 2010).

In conclusion, as we can see, the process of globalization has involved all the countries around the world. Developing countries such as India, China, Africa, Iraq, Syria, Lebanon and Jordan have been affected by globalization, and whether negatively or positively, the economies of these countries have improved under the influence of globalization. The size of direct foreign investment has increased and a lot of bad habits and traditions erased, but also globalization has brought many drawbacks to these countries as well. Many customs and cultures have disappeared such as traditional clothes and some language and expressions have changed. In addition, the violence and drugs abuse have increased and a lot of deadly diseases have spread under the influence of globalization. Although globalization has many disadvantages, we believe that globalization has brought the developing countries many more benefits than the detriments.

The mixed picture that emerges on economic performance and on changes in Employment, inequality and poverty make it extremely difficult to generalize on what the impact of globalization has been. This is because globalization is a complex Phenomenon. Observed outcomes such as changes in the level of unemployment and of Poverty replicates the results of a complex of factors of which globalization, however broadly defined, is but one. It is important to avoid the Common error of attributing all observed outcomes, positive or negative, entirely to Globalization.

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