CHAPTER 3

GLOBALIZATION IN INDIA

The concept of globalisation was first introduced by Adam Smith, the father of modern economics in the year 1776 through the book titled, “Wealth of the Nations”. In the olden days, British, Chinese, Indians and Mughals were involved in worldwide business. The Chinese used to sell silk to the world and buy dynamites. The British used to come to India to buy condiments and in return India used to buy armament.

So, the point is that - globalisation is not a new concept. In the yore, globalization even more common because Indian spices, silk handicrafts, gold, silver jewellery, etc., were everywhere in Europea. At the time when many analysts anticipate a booming future for Indian economy India remains disinclined to fully enclose globalization India and its neighbour China have been tagged as the world's next economic super powers. Yet while China industriously makes its economy congenial to foreign capital, Indian reformers continue to gripping with an inflexible domestic opposition to liberalization. Such are the hazard of Indian democracy.

The human society around the world, over a period of time, has entrenched greater contact, but the platform has increased rapidly since the mid 1980’s. The term globalization means international combination. It includes a formation of social, political
and economic changes. Extraordinary progress in modes of communications, transportation and computer technology have given the process a new lease of life. The world is more mutually dependent now than ever before. MNC’s accomplish products across many countries and sell to consumers across the globe. Money, technology and raw materials have broken the International boundaries. Not only products and finances, but also ideas and cultures have violated the national barriers. Laws, economies and social movements have become international in nature and not only the Globalization of the Economy but also the Globalization of Politics, Culture and Law is the order of the day. The formation of General Agreement on Tariffs and Trade (GATT), International Monetary Fund and the concept of free trade has assisted globalization.

3.1 MERITS AND DEMERITS OF GLOBALIZATION

- The Merits of Globalization are:
  - There is an International business for companies and for consumers there is a wider range of products to choose from.
  - Increase in flow of investments from developed countries to developing countries, which can be used for economic alteration.
  - Greater and faster flow of information between countries and greater cultural influence has helped to overcome cultural boundaries.
  - Technological development has resulted in converse brain drain in developing nations.
The Demerits of Globalization are:

- The outsourcing of jobs to developing nations has resulted in loss of jobs in developed nations.
- There is a greater risk of spread of communicable diseases.
- There is an underlying risk of multinational corporations with immense power ruling the world.
- For smaller developing countries at the receiving end, it could indirectly lead to a subtle form of establishment.

During 1990's India was passing through immensely large economic crisis. The economic crisis of 1991 proved a real turning point for the Indian economy. Indian fluctuation towards markets and free trade has been clear in the way it has dealt with Bretton Woods’s institutions. The World Bank and the International Monetary Fund were created with the fundamental assumption that protecting and expanding the system of liberal international trade would help avoid a third major global contention. India has been a dynamic participant in these institutions, not only as a major client, but also through its brilliant staff members and its commending executive directors.

Since the days of 1991, India has come a long way. It has comfortable foreign exchange funds (despite high levels of domestic debt); booming software and services export market, and a flourish knowledge economic Clearly, India has huge opportunities to benefit from globalization but there is also consent that the challenges encountering in development are considerable, even intimidate. India remains handicapped by immense infrastructure and labor and capital constraints. Indian economy had practiced major policy
changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more effective.

With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and its billion plus population. This period of economic transition had a huge 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. Besides, it also marks the beginning of the real unification of the Indian economy into the global economy. This era of reforms has also attended in a remarkable change in the Indian mindset, as it contrast from the traditional values held since Independence in 1947, such as self reliance and socialist policies of economic development, which mainly due to the inbound looking restrictive form of governance, resulted in the isolation, overall backwardness and disorganization of the economy, amongst a host of other problems. Despite the fact, that India has always had the capacity to be on the fast track to prosperity. Now that India is in the process of reestablishment its economy, with hope of elevating itself from its present isolated position in the world, the need to speed up its economic development is even more essential and having witnessed the positive role that Foreign Direct Investment (FDI) has played in the active economic growth of most of the Southeast Asian countries and most notably China, India has embarked on a desirous plan to compete the successes of its neighbors to the east and is trying to sell itself as a safe and profitable destination for FDI.
Globalization has many allusions depending on the context and on the person who is talking about. Though the precise definition of globalization is still not available a few definitions are worth viewing, Guy Brainbant (2002) says that the process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNCs, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the combination of economies of the world through informal trade and financial flows, as also through reciprocal exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labor. In context to India, this include opening up the economy to foreign direct investment by contributing facilities to foreign companies to invest in different fields of economic activity in India, removing compulsions and difficulties to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also reassuring them to set up joint ventures abroad; carrying out enormous import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

3.2 THE IMPORTANT REFORM MEASURES (STEP TOWARDS LIBERALIZATION, PRIVATIZATION & GLOBALIZATION)

Indian economy was in deep crisis in July 1991, when foreign currency reserves had descend to almost $1 billion; Inflation had boom to an annual rate of 17 percent; fiscal deficit was very high and had become not sustainable; foreign investors and
NRIs had lost confidence in Indian Economy. Capital was flying out of the country and it was to close defaulting on loans. Along with these obstacles 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 constraints 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:

- **Devaluation**, the first step towards globalization was taken with the declaration of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to determine the BOP crisis.

- **Disinvestment**, in order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. Under the privatization scheme, most of the public sector project have been/ are being sold to private sector. During the pinnacle of state controlled Indian economy, developments were also noticed during those days but were not enough to stimulate the entire structure. For that reason, a search did continue for decades for an ultimate solution and the initiation of market reforms or the epic of globalization in 1991 proved to be the best. India, if truth be told (tried and true as per statistics), has progressed a great deal by now and the entire credit goes to the same conception of globalization. Globalization in India, in point of fact, has permitted companies to heighten and extend their operations considerably, spread out their workforce with nominal investments, and contribute innovative services to an extensive array of dependents.
Allowing Foreign Direct Investment (FDI) was allowed in a wide range of sectors such as Insurance (26%), defense industries (26%) etc.

NRI Scheme, the facilities which were available to foreign investors were also given to NRI's. Thanks to all these, functioning method of globalization has turned out to be a vital part of the recent economic advancements or Economic Reforms made by India. There is no doubt in this and it must be said upon of voice that account of globalization has been playing a major role (ever since its formal commencement in the early 90s) in export-led growth, giving rise to the growth of native job market as well. Now, it has to get more specific. Bear in mind IT and BPO services, one of the key forces of globalization in the sphere of India and also responsible for modernize the perish job market (of once) in the country. Well other than the said developments, there have been lots of worth mentioning effects of globalization too. There has been development of a new middle class, unlike that of the past and this is regarded as the consequence of plenty of IT and BPO industries in the length and breadth of the country. Globalization in India has been wholesome for a range of companies venturing in the Indian market. But there are a few demerits too. The concept of polarization, as per in-depth researches, is on the rise. India had the distinction of being the world's largest economy in the beginning of the Christian era, as it accounted for about 32.9% share of world GDP and about 32.5% of the world population. The goods produced in India had long been exported to far off places all over the world. So globalization concept is hardly new to India.
3.3 INDIAN EXPORTS

In international trade GDP reached to the proportion of 24% by 2006, increased from 6% in 1985 and still relatively moderate. India at present has 1.2% in World trade, based on the report of World Trade Organization (WTO), 2006. Until the liberalization of 1991; India was in a very large scale and with intention separated from the world markets with the reason to protect its inexperienced economy and its own faith. Foreign trade includes importing tariffs, export taxes and quantitative limitations, while foreign direct investment was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals; these approvals were needed for nearly 60% of new FDI in the industrial sector. The limitations assure that FDI averaged only around $200M annually between 1985 and 1991; a large percentage of the capital flows consisted of foreign aid, commercial borrowing and deposits of non-resident Indians.

After independence in the first 15 years Indian exports were very slow because due to the predominance of tea, jute and cotton manufactures, demand for which was generally uncompromising. In the same particular time period imports include predominantly of machinery, equipment and raw materials, due to development of industrialization. Since liberalization, the value of India's international trade has become more broad-based and has risen to ₹63,080,109 crore in 2003–04 from ₹1,250 crore in 1950–51. India's major trading partners are China, the US, the UAE, the UK, Japan and the EU. During April 2007 exports were increased to $12.31 billion by 16% and imports were increased to 18.06% by $17.68 billion from the last year.
Since 1947 India is a founding-member of General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization. In its general council meetings, India participate very actively and India has been crucial in raising voice for the concerns of the development of world. For example, India has continued its opposition to the inclusion of such matters as labor and environment issues and other non-tariff barriers into the WTO policies ("India & the World Trade Organization" 2005-07-09). Inspite of reducing its import limitations many times in the 2000s, India has been estimated a more restrictive than similar economies like Brazil, China, and Russia by World Trade Organization in 2008. The WTO also associated shortage of electricity and improper transportation structure as an essential limitation on trade. Its limitations have been founded as a major factor which has separated it from global financial crisis of 2008-2009 more than other countries, even though it has reduced ongoing economic growth.

India's balance of payments on its current account has been negative since independence. Since liberalization in the 1990s (precipitated by a balance of payment crisis), India's exports have been consistently rising, covering 80.3% of its imports in 2002–03, up from 66.2% in 1990–91. Although India is still a net importer, since 1996–97, its overall balance of payments (i.e., including the capital account balance), has been positive, largely on account of increased foreign direct investment and deposits from non-resident Indians; until this time, the complete balance was occasionally increased on the positive on basis of external support and commercial borrowings. Because of this India's foreign currency reserves increased at $285 billion in 2008, it is used effectively and it would be utilized in structural development of the country. India’s faith on external support and commercial borrowings has down since 1991-92 and since 2002–03, it has gently been
repaying these debts. Declining interest rates and reduced borrowings decreased India's debt service ratio to 4.5% in 2007. In India, External Commercial Borrowings (ECBs) are being allowed by the Government for providing an additional source of funds to Indian corporate. The Ministry of Finance monitors and regulates these borrowings (ECBs) through ECB policy guidelines.

Table 3.1: Top Investing Countries in FDI (2000-2007)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Inflows(Million US$)</th>
<th>Inflows (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mauritius</td>
<td>85,178</td>
<td>44.24%</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>18,040</td>
<td>9.37%</td>
</tr>
<tr>
<td>3</td>
<td>United Kingdom</td>
<td>15,363</td>
<td>7.98%</td>
</tr>
<tr>
<td>4</td>
<td>Netherlands</td>
<td>11,177</td>
<td>5.81%</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>9,742</td>
<td>5.06%</td>
</tr>
</tbody>
</table>

Source: FDI in India Statistics

FDI in India has increased to 2% of GDP, compared with 0.1% in 1990, and Indian investment in other countries rose sharply in 2006. As the fourth-largest economy in the world in PPP terms, India is a preferred destination for foreign direct investments; India has strengths in information technology and other some special areas such as auto components, chemicals, apparels, pharmaceuticals, and jewelry. Inspite of this forward movement in foreign investments, uncompromising FDI policies resulted in a big obstacle. However, due to some positive economic reforms aimed to remove government regulatory control and stimulating foreign investment, India has positioned itself as one of the front-runners of the rapidly growing Asia Pacific Region. India has a large pool of skilled managerial and technical expertise. The size of the middle-class population has grown to 50 million and shows a growing consumer market. India's recently liberalized FDI policy (2005) allows up to a 100% FDI stake in ventures. Industrial policy reforms have stably
reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and foreign direct investment FDI. The increasing growth curve of the real-estate sector owes some credit to a booming economy and liberalized FDI regime. In March 2005, the government amended the rules to allow 100 per cent FDI in the construction business. This automatic route has been allowed in townships, housing, built-up infrastructure and construction development projects including housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, and city- and regional-level infrastructure.

A number of amendments were approved on the FDI policy to omit the caps in most sectors. Fields which need relaxation in FDI limitations include civil aviation, construction development, industrial parks, petroleum and natural gas, commodity exchanges, credit-information services and mining. But this still leaves an unaccomplished agenda of permitting greater foreign investment in politically sensitive areas such as insurance and retailing. FDI inflows into India reached a record US$19.5bn in fiscal year 2006/07 (April-March), according to the government's Secretariat for Industrial Assistance. This was more than double the total of US$7.8bn in the previous fiscal year. The FDI inflow for 2007-08 has been reported as $24bn (Hindustan Times *India attracts $ 25 billion FDI in 2007-08*) and for 2008-09; it is expected to be above $35 billion (Economic Times *FDI inflows to exceed USD 35 billion target in 2008-09*). A critical factor in determining India's continued economic growth and realizing the potential to be an economic superpower is going to depend on how the government can create incentives for FDI flow across a large number of sectors in India.
Remittances to India are money transfers from Indian workers employed outside the country to friends or relatives in India. India claimed more than 12% of the world’s remittances in year 2007. In India remittances have approximately 3% of country’s GDP. Remittances have a very rapid growth in 1991. Remittances totaled 2.1 billion US$ in 1991; in 2006, they were evaluated between $22 billion and $25.7 billion. In 2006 Indian migrants made $27 billion in remittances which were about 3% of India's GDP.

Globalization has given permission to the companies to increase their base of operations, expand their workforce with less investment, and provide new services to a broad range of consumers. The process of globalization has been an integral part of the recent economic progress made by India. Globalization has played a major role in export-led growth, leading to the enlargement of the job market in India. One of the major forces of globalization in India has been in the growth of outsourced IT and business process outsourcing (BPO) services. The last few years have seen an increase in the number of experienced professionals in India employed by both local and foreign companies to service customers in the US and Europe in particular. Taking advantage of India’s lower cost but educated and English-speaking work force, and utilizing global communications technologies such as voice-over IP (VOIP), email and the internet, international enterprises have been able to lower their cost base by setting up outsourced knowledge-worker operations in India. As a new Indian middle class has developed around the wealth that the IT and BPO industries have brought to the country, a new consumer base has developed. International companies are also expanding their operations in India to service this extensive growth opportunity.
Globalization in India has been advantageous for companies that have chance in the Indian market. By simply increasing their base of operations, expanding their workforce with least investments, and providing services to a large range of consumers, big companies entering the Indian market have opened up many profitable opportunities. Indian companies are quickly gaining confidence and are themselves now major players in globalization through international expansion. From steel to Bollywood, from cars to IT, Indian companies are setting themselves up as powerhouses of tomorrow’s world economy. Socialization of people for improving business and financial activities across the world can be referred as globalization. It is not a new phenomenon as people kept searching new places and path to increase their business activities as apparent by explorations of Vasco de Gama, Columbus and East India Company. Bitter experiences from East India Companies & British rule makes Indian little bit attention for adventures of globalization. This has been the root cause for delay in liberalization in India. In literary terms, globalization has been defined in several ways as evident from definitions reproduced below. According to Scholte (2000), globalization refers to the expansion of new forms of non-territorial social activity. To make term more clearly, Globalization has been defined as the process of fast integration of countries and happening through greater foreign trade and foreign investment. In significance, it refers to increased possibilities for action between and among people in situations irrespective of geographical considerations as per the definition of social theorists. Developed countries have been trying to follow developing countries to liberalize the trade and allow more elasticity in business policies to provide equal opportunities to multinational firms in their household market. International Monetary Fund (IMF) and World Bank helped them in this endeavor. Liberalization began to hold its foot on desert lands of developing countries like India by means of rebate in
excise duties on electronic goods in a fixed time frame. Indian government did the same and liberalized the trade and investment due to the pressure from WTO. Import duties were cut down phase-wise to allow multinational companies operate in India on equality basis. As a result globalization has brought to India new technologies, new products and also the economic opportunities. Although bureaucracy, lack of infrastructure and an ambiguous policy framework that adversely impact multinational companies operating in India, MNCs are looking at India in a big way, and are making extensive investments to set up R&D centers in the country. India has made a lead over other growing economies for IT, business processing, and R&D investments. There has been both positive and negative impact of globalization on social and cultural values in India. There is no contradict of the fact that globalization has brought cheers to people's life by opening new vision of employment. It has also made inroads in the cultural custom of this country.

3.4 CHANGES IN SOCIAL AND CULTURAL LIFE DUE TO GLOBALIZATION

- Access to television grew from 10% of the urban population (1991) to 75% of the urban population (1999).
- Cable television and foreign movies became widely available for the first time and have acted as a catalyst in demolish the cultural barriers.
- All these technologies have changed viewpoint and dreams of ordinary people.
- Unmarried boys and girls are sharing same apartment and staying away from their parents.
- Indian youths leaving education in mid-way and joining multinational companies.
- There has been increase in the violence, particularly against women.
Scientific and technological innovations have made life quite comfortable, fast and enjoyable.

More availability of cheap and filthy material (CD's or DVD's of Hollywood movies, foreign channels like MTV) in the name of liberalization.

In India, land-line or basic phone was a prestige symbol few years back but now it can be find people riding bicycle with a mobile in hand, talking or listening music or even clicking cameras of their phones.

Society has become more open compared to its earlier traditional look due to exposure to other cultures through DTH or cable network.

People are less worried for government jobs as MNC's and private or public sector are offering more good jobs.

Extension of internet facilities even to rural areas.

In place of old cinema halls, multiplex theatres are coming up.

Old restaurants are now replaced by McDonald. Fast food and Chinese dishes have replaced juice corners and parathas.

More inflow of money has increased deep rooted problem of corruption.

More scandals and scams compared to pre-globalization era.

There is downfall in social values as evident from less respect for ladies, older people.

Not with standing what has been listed above, globalization has definitely brought positive changes and been helpful in improving living conditions of people. Improvement in financial status and livelihood of people can be understood by the following facts:
I. Personal Finance:

- Entry of the private sector banks has completely transformed the functioning of public sector banks.
- Commencement of the depository that helped common men to become the retail investors.
- Fall in interest rates; smaller monthly installments made life more simple to Indian customer.
- ATM’s (Automated Teller Machines) made bank transactions easier to common men than few years back.
- Online trading, purchase of various finance products & banking has helped common men to participate in investment process.

II. Job Sector:

- Salaries are now more attractive than in the nineties.
- Students get selected by the companies through campus recruitment an year before the date of completion of their technical education.
- Large salary hikes than offered few years ago.
- More emphasis on performance and not on number of years in the job.
- More flexibility in timings and work from home arrangements are becoming common.
- Office automation has helped improving efficiency of employees.
- More and more recruitment are being made using job portals. Earlier ads were placed in the newspapers.
III. Tax Reforms:

- Tax reforms have given common men more freedom to invest money and more purchasing power than ever before.
- Tax concessions on interest of housing loan and easy availability of house loans have helped common men to own a dream house. However, increase in interest rates recently has made life difficult for salaried people.

3.5 SOME COMMON INDICATORS OF CHANGE

- Now most of the households have more than one color TV sets.
- Numbers of people travelling by air or AC class in trains have increased tremendously.
- There are 42 million internet users in India in the year 2008 compared to 1.4 m users in 1998.
- There has been a great increase in sales of passenger cars. The sale has increased by 96% in the last ten years.
- Monthly pocket money of 10-17 years old has risen than in the nineties.

India gained highly from the LPG model as its GDP increased to 9.7% in 2007-2008. In respect of market capitalization, India ranks fourth in the world. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. The number of landless families has increased and farmers are still committing suicide. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and move strongly on its path of development.
3.6 GLOBALIZATION AND CONSUMERISM

This is the domain of following three main factors:-

1) Access to resources and markets on a global basis.

2) Production of consumers all over the world with an extensive range of products and services that was not easily available before.

3) Central and fundamental understanding of globalization and the modern world being the notion of “consumerism”.

Globalization therefore sets the conditions for consumerism through an interconnected process which works through the above mentioned factors. To elaborate this connection more clearly, it is necessary to understand the nature of present consumption. At present, a variety of resources and products are being consumed having moved beyond basic needs to include luxury items and technological innovations. Shah, (2006) says that, even though such consumption beyond nominal and basic needs should not necessarily be negatively perceived, what should be understood is what lies behind the form of consumption and consumerism in the present world. In the present world some characteristics of consumption are;

i) Choices of consumption are being influenced by certain actors,

ii) What is to be produced and not are being decided by certain actors,

iii) Uniformity of consumption patterns are being created throughout the world and

iv) Material value influence relationships among people.
According to United National Development Report (1998), global priorities and expenditure on choices of consumption and consumption patterns are shown in the table below:

Table 3.2(a):- Global Priorities on Consumption Pattern

<table>
<thead>
<tr>
<th>Global Priority</th>
<th>U.S. Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetics</td>
<td>United States</td>
</tr>
<tr>
<td>Ice cream</td>
<td>Europe</td>
</tr>
<tr>
<td>Perfumes</td>
<td>Europe &amp; United States</td>
</tr>
<tr>
<td>Pet foods</td>
<td>Europe &amp; United States</td>
</tr>
<tr>
<td>Business entertainment</td>
<td>Japan</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>Europe</td>
</tr>
<tr>
<td>Alcoholic drinks</td>
<td>Europe</td>
</tr>
<tr>
<td>Narcotics drugs</td>
<td>Whole world</td>
</tr>
<tr>
<td>Military spending</td>
<td>Whole world</td>
</tr>
</tbody>
</table>

And compare that to what was estimated as additional costs to achieve universal access to basic social services in all developing countries:

Table 3.2(b):- Consumption Pattern on Basic Social Services

<table>
<thead>
<tr>
<th>Global Priority</th>
<th>U.S. Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic education</td>
<td>Whole world</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>Whole world</td>
</tr>
<tr>
<td>Reproductive health for all women</td>
<td>Whole world</td>
</tr>
<tr>
<td>Basic health and nutrition</td>
<td>Whole world</td>
</tr>
</tbody>
</table>

(Shah, 2006, quoting the state of human development, United National Development Report 1998, Chapter 1, p.37)

According to Aimaq, (2003), the increased consumption patterns as such are demanded globally due to globalized markets. Market accompany globalization denotes the emergence of the free market. Niello, (2003), added that, this produces consumers all over
the world with a broad range of products and services that were not easily available before. Evenett, (1999), says that, Market associated with globalization emphasizes commodity exchange thereby capturing global markets promoting consumerism through lucrative promises such as fair and efficient use of resources to meet basic human needs, increased access to more goods. Graham & Krugman, (1991) continued, reduced prices due to competition with local monopolies and enabling poor people in certain countries to buy cheaper imported goods rather than poor quality goods produced by local monopolies. Given this nature of consumption, it could be declared that these consumption patterns have evolved overtime based on the influence of those who have more power to control the means and resources, smooth economic conditions and trade. Control of resources and markets are granted to powerful actors on a global basis through globalization which enables access to resources and markets on a global basis.

It could further be asserted that the approach of consumerism itself becomes fundamental in understanding the current forms of globalization and the modern world because; there is a market as well as economic orientation in globalization which aims consumption of resources to generate profit. Consumerism is central to this phenomenon. Thus, a connection between globalization and consumerism could be established based on the factors which are:-

1) Access to resources and markets on a global basis.
2) Production of consumers all over the world with an extensive range of products.
3) The notion of consumption being fundamental and central in understanding the current forms of globalization.
As stated above, there is a system behind present forms of consumption and consumerism which is operated by the actors of a global economy that have the power to control the global market forces of a globalized economy. Shah, (2006) says, within this context, there are trends that have been analyzed around globalization and consumerism which have made consumerism an issue at present. Some of the trends of present consumption are:-

- Inequality of consumption (not redistributing from high-income to low-income consumers).
- Use of hazardous waste goods and production technologies instead of cleaner ones.
- Promoting goods that discourage poor producers rather than promoting goods to authorize poor producers.
- Creating a priority among consumers for consumption to conspicuous display rather than to meeting basic needs.

According to Shah (2006), globalization and consumerism today are accelerating the dynamics of the consumption-poverty-inequality-environment links. Moreover, two of the major criticisms of globalization and consumerism are unequal distribution of wealth and unsustainable consumption patterns. One major problem of consumerism is that consumption patterns today are not to meet everyone’s needs. The system that drives these consumption patterns contribute to imparity as well as unsustainability. Thus, globalization and consumerism creates two important issues that are:

1) Patterns and effects which exacerbates inequalities

2) Unsustainable consumption and the deficiency of the environmental resources
Globalization and Consumerism on Unequal Distribution of Wealth, It is widely acknowledged that the world at the end of the 20th century largely is an unequal place with:-

i) Wide and widening differences in incomes,

ii) Wide and widening differences in wealth and assets among nations, and also within countries.

According to Khor, (1999), the globalization and liberalization processes that have marked the last two decades are held responsible to have generated greater variations between the countries of the North and South.

At the creation of this inequality which placed countries in South in a disadvantaged position are the policy interventions which aimed regulation of the economies in the North after World War II. Such policy interventions were:-

i) Ensuring full employment

ii) Growth through macroeconomic policy intervention and

iii) Gradual return to laissez faire economics, in which the government should have minimal interference in the market.

Khor, (1999) explained, moreover, governments were not expected to act towards protecting home industries and financial institutions. Governments were expected to break down national economic boundaries enabling foreign goods and firms to enter and compete freely with local institutions. This policy in the Northern countries spread to the developing world through many channels:-
i) Through the training of Third World economists and policy makers

ii) Through advice given by multilateral agencies

iii) Through policy conditions attached to loans provided by the World Bank and IMF and

iv) Through the new rules of the international trade regime, now institutionalized at the World Trade Organization.

Khor, (1999), says that while with the rapid occurrence of deregulation, privatization and liberalization, there has been the dual phenomenon of growth in a few countries and stagnation in many; a rapid rise in wealth and income by a small section of world society and the continued or deteriorating poverty of large parts of humanity. Globalization and consumerism on unequal distribution of wealth could be discussed within the above mentioned context of policy interventions which has led to a dual phenomenon of growth among countries. Here, the first identified issue of globalization led consumerism – patterns and effects which exacerbates inequalities - is taken into the debate.

3.7 PATTERNS & EFFECTS WHICH EXACERBATES INEQUALITIES

Patterns and effects which exacerbate inequalities causing an unequal distribution of wealth are taken into the debate. These patterns are:

i) Structural positioning of countries in the global economic system,

ii) Competition that occurs due to open market,

iii) Moving of manufacturing and processing operations to lesser developed countries income distribution.
According to Hurrel & Woods, (2000) *Structural Positioning of Countries in the Global Economic System*, uneven distribution of economic wealth among states has been one of the driving incentive and a condition for globalization. In spite of the fact that wealth among nations is unevenly distributed, a global division of labor was necessary in order to regulate economies - which was aimed by the policies of North after World War II. When a division of labor introduce in the world market, a structural positioning of countries takes places in the world economic system. Unequal distribution of wealth and inequality is created by means of the structural positioning of nations in the world economic system which leads to the centre and periphery relationship in international and national level as presented by the world-systems perspectives of Amin, Frank and Wallerstein (1982) that emphasize "unequal exchange".

The global economic system enabled by the open market, consists of a single division of labor within one world market. Labor is divided among functionally defined and geographically distinct parts arranged in a hierarchy of occupational tasks. Within the global economic system there is a structural division as core states and peripheral areas. The structural positioning of a state as such depends on the dimensions which are:

i) The formal status of the state (their degree of formally recognized independence),

ii) The territory, population and natural resources of a state,

iii) The domestic strength, efficacy and viability of a state,

iv) The distribution of economic wealth, military and political power among states,

v) The met power to make and change the rules of international relations,

vi) The power and relative status of non-state actors (MNCs, foreign investors, global communications conglomerates).
Since the countries in North enjoy the above mentioned dimensions they are structurally placed in the position of core states in this globalized economy and enjoy more power while the under-developed countries are structurally positioned in the peripheral areas. Furthermore, it is important to note that core states are a few while there are a large number of peripheral states. In the pattern of structural positioning of countries in the global economic system an unequal distribution of wealth occurs resulting in a dual phenomenon of growth because core states concentrate on high skill, capital intensive production. Peripheral states focus on low-skill, labor intensive production and extraction of raw material. Through the setting of this unequal relationship, core states appropriate much of the surplus of the whole world economy while peripheral areas have weaker status in the world economy and get exploited. Supporting this argument, in the contemporary debates, Niello,(2003), says that opponents of the position that globalization of economy creates jobs and increase wealth of people in many countries, holds that developing countries are placed in a disadvantaged position in the globalized economy and in the globalization led consumption. Investment resources, growth and modern technology are focused on a few countries (mainly in North America, Europe, Japan and East Asian Newly Industrialized Countries).

Khor, (1999) says, a majority of developing countries are excluded from the process, or are participating in it in marginal ways that are often detrimental to their interests. Likewise, a rapid rise in wealth and income in a small section of the world takes place while poverty occurs in a large part of the world. There are structural causes of poverty. This causes in non-redistribution and in power structures within countries and between North and South.
The most important variable of economic globalization is:

i) Breaking down of national economic barriers,

ii) The international expansion of production, especially in the manufacturing sector,

iii) The growing power of transnational corporations.

According to Khor, (1999), therefore, with the amendments in policy interventions, governments were expected to breakdown national economic restrictions allowing foreign goods and companies to enter and compete freely with local companies. This policy in North countries was spread to the developing world. It was a process to which underdeveloped countries had to respond involuntarily. Hurrel & Woods, (2000) says that, Underdeveloped countries were trapped between the imperatives of globalization such as economic liberalization and subscription to a range of international standards. Over the past four decades industrialized countries have exhorted less developed countries to integrate into the world economy and to attract more investment through opening their markets. As a result of open market many developing countries had to face competition that occurs in the market with powerful competitors from developed countries. (Lee, 1996) says that, Due to this reason developing countries suffer closing down of local industries, job losses in local industries that cannot compete with foreign multinationals once liberalization occurs and formerly protected markets are open to everyone. For example a major feature of globalization is the growing concentration and monopolization of economic resources and power by transnational corporations. Fewer and fewer transnational corporations are gaining a large and rapidly increasing proportion of world economic resources, production and market shares. Where a multinational company used to dominate the market of a single product, a big transnational company now typically
produces or trades in a growing multitude of products, services and sectors. Through mergers and acquisitions, few of these TNCs now control a large share of the global market, whether in commodities, manufactures or services.

However, a marked interruption of continuity between the developed and the under-developed countries expands due to the incapability of the under-developed countries to retain in the competition that occurs due to the open market. Likewise, the competition that exists due to the open market leads to exacerbation of unevenness supporting a dual phenomenon of development which leads to increase wealth in some countries and stagnation in many depends on who is able to compete successfully in the globalized economy and who is unable to compete successfully in the globalized economy.

3.8 MOVING OF MANUFACTURING & PROCESSING OPERATIONS TO LESSER-DEVELOPED COUNTRIES

Given the division of international labor, and the incentives provided through trade liberalization and free market, companies in developed nations move their labor intensive manufacturing or processing operations to lesser-developed countries one of the key factors in neo-liberal policy is limitations on workers’ rights for the sake of higher economic efficiency. At the same time, neo-liberal policies strongly support labor market flexibility, namely, de-regulating labor market and empowering employers in areas of hiring, firing, wage, and use of labor. However this, pattern of moving manufacture and processing operations to lesser developed countries comes in existence due to several reasons which in turn severe unevenness. Main reason is the low-cost.
Charnovitz, (1992) says multinational enterprises are stimulated to invest in lesser-developed countries by offering a host of incentives such as tax free status, infrastructure and exemptions from adhering to the national labor code. Because of these reasons, there are limitations imposed by lesser developed countries on their citizen’s labor rights. This happens especially in Export Processing Zones by allowing foreign firms to ignore national labor laws.

According to Klein, (2000), as a result, informal employment and cheap forms of labor, such as part-time, casual and domestic workers, have become prevalent forms of labor in developing countries from the past few years. Those informal workers have not enjoyed proper protection for their employment, wages, social security and occupational health and safety. Furthermore, job displacement and disparate labor conditions cause unevenness because often workers in Export Processing Zones are hired only on temporary basis. There is also a transitory nature of many overseas factories therefore, closure of factories cause job displacement. In the same time, the rapid application of new and high technologies in traditional industries such as steel, manufacturing and construction has caused a fall in labor demand on a yearly basis. From the last few years many developing countries have faced an increase in unemployment. One of the major reasons for this is the obligation of structural adjustment policies and economic reform and reduced public spending (Norwegian NGO Working Group Position Paper, 2000). However, the moving of manufacturing and processing operations to lesser developed countries severe unevenness leading to coerced forms of labor, under-paid labor, and transitory nature of jobs, job displacement and job insecurity.
According to Khor, (1999), *Income Distribution*, the distribution of wealth and income among countries has been unequal over the past centuries and in recent years the situation has worsened even further. This is largely due to the pattern and process of globalization. In the process of globalization national economic barriers are being broken down and large multinational firms, financial institutions and players from the developed North have been able to cross boundaries through trade, investment and finance and make profit from the developing countries of the South. Despite the commitment in the Copenhagen declaration on eradicating poverty, several recent reports show that poverty is increasing globally, both in industrialized and developing countries. Unequal distribution of income and wealth does not only occur between people in different parts of the world, but also within each country.

The main tendencies associated with globalization that impact on income distribution are such that in the short run most of the changes associated with globalization are likely to deepen income inequalities. With globalization there is a greater role of market forces in the labor and capital markets. In most countries it causes a rise in interest rates and lower wages, especially those of unskilled workers. The effect is likely to be reinforced by changes in taxes and public expenditure which are, moving towards indirect taxes and reduction of subsidies, social security and welfare expenditure. Employment and wages could be further pressured by deflationary effects on economic activities and the progress of labor saving technologies. Increased competition nationally and internationally is likely to work in the same direction for most countries. An increase in the speed and volume of resource flows, expansion of trade and internationalization of production can be expected to have considerable effects on income distribution. Countries that are successful in
attracting foreign funds, investment and technology, and in enhancing expansion of output and exports, are likely to experience rising employment and wages, and possibly reduction in inequality. At the other extreme, less competitive and more unstable countries may suffer from outflows of capital, investment, skills and entrepreneurship. They are likely to get caught in a downward spiral of production, employment and wages, exacerbating both poverty and inequalities. The overall impact of these changes is likely to be negative on the working class in most countries.

While the above mentioned factors lead to inequality and unequal distribution of wealth causing poverty and exclusion in a majority of groups affected by market led globalization, "Redistributive Global Democracy" is an effort to address such poverty and exclusion. "Redistributive Global Democracy" is the idea that global government institutions should instate policies to ensure sharing of the benefits of market globalization to all members of the global community in order to create a higher level of equity. A global understanding would set the minimum quality of life and work through the interconnected market to address the roots of inequity.