CHAPTER – IV

GLOBALIZATION
PROCESS
IN INDIA
Definitions of Globalization:

‘Globalization’ has become a buzz word. It has also become a key idea for business theory and practice, and entered academic debates. But how might it be defined globalizations, we explore Jan Aart Schelte’s discussion of fire, key, broad definitions of globalization that are in common usage.

This piece is an appendix to a larger article in the encyclopaedia of informal education on globalization. There is a further article on globalization and education.

Much of the talk of ‘Globalization’ is confused and confusing. ‘Globalization’ has become a buzz word and those using the term often have contrasting understandings of what it means. It has been summarized Jan Aart Scholte’s discussion of what he identifies as the fire, key, broad definitions and globalization that are in common usage. They are related and overlap, but the elements they highlight are significantly different.

Globalization – some definitions:

Jan Aart Scholte (2000: 15-17) has argued that at least five broad definitions of ‘Globalization’ can be found in the literature.
**Globalization as internationalization:** Here globalization is viewed 'as simply another adjective to describe cross-border relations between countries'. It describes the growth in international exchange and interdependence. With growing flows of trade and capital investment there is the possibility of moving beyond an international economy, (where 'the principle entities are national economies') to a stronger version the globalised economy in which, 'distinct national economies are subsumed and rearticulated into the system by international processes and transactions' (Mirst and Peters 1996: 8 and 10).

**Globalization as liberalization:** In this broad set of definitions 'Globalization' refers to 'a process of removing government – improved restrictions on movements between countries in order to create an "open", "borderless" economy' (Schelte 2000:16). Those who have argued with some success for the abolition of regulatory trade barriers and capital controls have sometimes clothed this in the mantle of 'Globalization'.

**Globalization as Universalisation:** In this use 'global' is used in the sense of being ‘worldwide’ and ‘Globalization’ is ‘the process of spreading various objects and experiences to people at all corners of the earth’, a classic example of this would be the spread of computing, television etc.
Globalization as Westernisation or Modernisation:

(Especially in an 'Americanised' form). Here 'Globalization' is understood as a dynamic, 'whereby the social structures of modernity (capitalism, rationalism, industrialism, bureaucratism etc.) are spread the world over, normally destroying pre-existent cultures and local self-determination in the process.

Globalization as deterritorialisation: (or as the spread of supra territoriality) Here 'Globalization' entails a 'reconfiguration of geography, so that social space is no longer wholly mapped in terms of territorial places, territorial distances and territorial borders. Anthony Gidden's has thus defined globalization as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa (Giddens, 1980:64). David Held et al (1999:16) define globalization as a 'process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact-generating transcontinental or inter-regional flows and networks of activity'.

Of these five approaches/definitions it is only the last, according to Scholte, that offers the possibility of a clear and specific definition of globalization. The nation of supra territoriality (or trans-
world or trans border relations), he argues, provides a way into appreciating what is global about globalization. His argument runs something like the following.

1. There is no need to replace the 'internationalisation' by 'Globalization' where it refers to a growth in interaction and interdependence between people in different countries. This process of internationalization has been going for centuries- and it also nothing theoretically to describe it as globalization.

2. To describe the process of breaking down regulatory and other barriers to trade as globalization is similarly flawed. 'The liberal discourse of 'free' trade is unite adequate to convey these ideas' (Scholte 2000:45).

3. The nation of globalization as Universalisation also fails to provide new insight. The move towards Universalisation is a long-ranging one – and so little or nothing is added by substituting the nation of globalization.

4. The understanding of globalization as westernization has developed particularly in the context of neocolonialism and post-colonial imperialism. It is, again, difficult to see what advance the nation of globalization provides as against the discourse of colonialism, imperialism and 'modernisation'. As Scholte (Ibid:
45) convincingly argues; 'we do not need a new vocabulary of globalization to remake old analysis?

5. Important new insight can, however, be gained from approaching globalization as the growth of 'supra territorial' or transworld relations between people. It allows for us to explore deep-seated changes in the way that we understand and experience social space.

The proliferation and spread of supra territorial connections brings an end to what could be called 'territorialism' that is a situation where social geography is entirely territorial. Although territory still matters very much in our globalizing world, it no longer constitutes the whole of our geography (Scholte 2000: 46)

The first four approaches are all compatible with territorialism, the fifth is not, within a territorial orientation 'place' is identified primarily with regard to territorial location. However, we have witnessed a fundamental change there has been a massive growth in social connections that are unhooked insignificant ways from territory.

This argument or rather the focus on supra-territoriality, is not without its critics. For example, Martin Show (2001) has argued that Scholte's focus falls into the trap confusing a shift in the content of social relations for changes in their spatial from, 'a question of sociology for one of geography'. He suggests that Scholte's argument:
The recognition of human commonality on a worldwide scale, in the double sense that the world framework is increasingly constitute of society, and of emergent common values. It is not that supra-territorial space are growing more important, but that both territorial and supra-territorial spaces – more fundamentally national-international as well as supra national-transnational relations – are both globalised in this doubles sense.

In other words, the current scale, scope and speed of change in the spheres that Scholte labels as Universalization and internationalization is such that it is possible to talk of our being in a qualitatively different situation. This shift, has a profound effect on the way we experience place.¹

So far, only a small minority of top earners has benefited from global integration. Even conservative economists have begun to worry about social inclusion and effective redistribution. As many argue, it is better to prevent protectionist tendencies, which would cut the overall benefits of globalization, and to share the cake more fairly.

Immanuel Wallerstein and Stephen Roach are miles apart ideologically. But they pretty much agree on one thing; after three decades of globalization euphoria, the pendulum has begun to swing back. “The political balance is swinging back”, writes world-system's analyst Immanuel Wallerstein (2008). “Neoliberal globalization will be
discussed about ten years from now as a cyclical swing in the history of the capitalist world economy. The real question is not whether this place is over but whether the swing will be able, as in the past, to restore a state of relative equilibrium in the world system. "Where Wallerstein sees the end of neobilateral globalization, the chairman of Morgan Stanley Asia, Stephen Roach (2007), sees an about-turn: "What I suspect is that a partial backtracking is probably now at hand, as the collective interests of globalization succumb to the self-interests of localization'. An era of localization will undoubtedly have some very different characteristics from trends of the recent past. The most obvious. Wages could go up and corporate profits could come under pressure".

It remains to be seen whether or not "localization" is the appropriate term to describe current trends. But it is indisputable that more and more people are questioning that globalization has delivered on its promises and benefits. In a recent survey, 57% of the people polled in the G7 nations said that globalization has moved too fast over the past few years (The Washington Post, 2 February 2008). Of those polled on 27 other countries, 64% thought that the advantages and burdens of globalization were shared unfairly. Only in a few countries (10 out of 34) did the majority of people consider globalization a positive factor for local economic development. These countries included, significantly, the catch-up economies of China and Russia, the
beneficiaries of soaring oil prices such as the United Arab Emirates or special cases in the OECD like Canada and Australia.

Globalization and inequality

Poll results are always easy to challenge. But in this case, they match the latest trends of debate among economists and international development agencies. This debate revolves around the extent to which inequality in and between nations is linked to globalization and international economic integration. The concern about increasing inequality triggering backlashes against global integration has spread to orthodox economists. Earlier, they only used to discuss the benefits of globalization.

Economists Kenneth F. Scheve and Matthew J. Slaughter are two examples. The latter served on the Council of Economic Advisers of US President George Bush from 2005 to 2007. In an essay in Foreign Affairs last year, both authors called for a 'New Deal' for globalization, based on new, top-down re-distribution policies, in order to allow the vast majority a share in the benefits of globalization. It is noteworthy that this debate is not only being conducted with a view to the traditional North-South divide, but rather emphasis domestic trends in rich nations.

Development policy makers noticed the problems first. Three years ago, three reports by multilateral institutions simultaneously
focused on the growing social inequality both within and among thee nations of the world. The title of the World Development Report of 2006 was "Equity and development". In it, the World Bank acknowledged that redistribution of income, as well as growth, is needed to reduce global poverty. Meanwhile, the UN's Report on the World Social Situation and the UNDP's Human Development Report highlighted the importance of distribution.

The International Monetary Fund and the OECD have also rediscovered the topic of inequality. In its World Economic Outlook of October last year, the IMF studied the relationship between globalization and inequality. The OECD's Employment Outlook concluded last year that the trend of outsourcing and offshoring is increasing the vulnerability of jobs and wages in many developed nations. In the North-South context, debate previously involved around the question of whether it is only inequality that is growing, or whether poverty is growing too. Poverty levels can in fact decrease in spite of growing inequality – if all incomes rise, for instance, but the higher income brackets do so faster than the lower ones. If this were the case, then growing inequality would be compatible with the Millennium Goals.

The latest World Bank review of Purchasing Power Politics (PPP) will, however, add fresh impetus to this debate. The data show that both global inequality and global poverty are vastly greater than...
previously assumed (Milanovic 2008). It is reported that worldwide income inequality is not 65 Gini points, which would roughly equate to the level of South Africa, but 70 points. The Gini coefficient is a statistical measure of income distribution, which "0" assessed so far. According to the out-dated PPP calculations, 980 million people must do with less than the purchasing power of one dollar per day.

It is difficult to establish casual links between globalization on the one hand and unemployment and inequality on the other. Many of the approaches used for doing so are questionable. For instance, the IMF Outlook tried to ascertain what impact technological progress, financial globalization and the international trade in goods have had on inequality. It concluded that technology and financial globalization have boosted inequality, whereas international trade helped to reduce it by making goods and services cheaper.

Trade and Technology:

The difficulty, however, that it is hardly possible to assess these factors separately. Trade globalization is inconceivable without technical process, and the reverse is just as true. Technological change expresses itself in new forms of trade – such as the creation of global value chains or the provision of global call-centre services. Nonetheless, most researchers argue that free trade, one of the central pillars of globalization, can only be blamed to a minimal extent for
inequality and unemployment. For example, Robert Z. Lawrence (2008) argues that while more trade with developing countries caused greater inequality in the USA in the 1980s, its impact was negligible over the past ten years.

According to Lawrence, rising inequality and slow wage expansion – or even decline – are due to dramatic growth in profits and associated advantages for the top one percent of income earners in the USA. Any policy focusing merely on regulating trade would, therefore, be too narrow and unlikely to succeed. Instead, Lawrence calls for a change in taxation regimes and for lending state assistance to those who need to adapt to structural change. Lawrence’s prominent colleague Paul Krugman (2008), however, warns against underestimating the trade-related downward pressure on wages and labour relations in the USA. He points out that the USA used to import oil and other raw materials from the Third World and manufactured goods from other industrial regions like Canada, Europe and Japan. Today, however, the USA imports more manufactured goods from poor nations than from rich ones. Kingman himself used to warn against exaggerated fears of globalization. In the early 1990s, he pointed out that the imports of finished goods from the Third World made up a relatively modest share of US Gross Domestic Product (GDP). Today, he claims that the pressure on jobs and wages is probably not quite as modest as it was Kurgmann estimates that the amount of manufactured
goods imported from the Third World has grown dramatically – from only 2.5% of US GDP in 1990 to six percent in 2006. Countries with very low wages registered the greatest export boost. As Krugmann explains, in South Korea, Taiwan, Hong Kong and Singapore, the first "newly-industrialised countries", wages in 1990 were about 25% of the US level. Since then, however US imports are increasingly being sourced in Mexico, where wages are about 11% of the US level, and China, where they are only three or four percent. According to Krugmann, only a minority of highly-educated US employees has benefited from the growing trade with Third-World economies, greatly outnumbered by the losers.

The vast majority misses out. The last point is crucial. Not only do small minorities have no share in the benefits of globalization – the vast majority of people misses out. No serious observer will claim that globalization, trade and international investment are not good for national economies in themselves. Yet even in the conservative camp, fears are mounting that only a tiny group at the top of society is reaping the benefits. Incidentally, this applies equally to the advanced countries and many developing countries, although details differ, of course. In any case, the question of appropriate counter-strategies and remedies is becoming urgent. Adjustment assistance for those negatively affected by globalization is considered a rather conventional remedy in the rich world. The focus can be on reforming labour law, improving
social-security systems on new measures for re-training and education. Such programmes are usually sold as "helping people to adapt to globalization", although the measures used usually have only an aftercare character, without lacking the roots of unemployment and poverty.

That is precisely why Scheve and Slaughter are demanding drastic re-distribution from the top down. In their above-mentioned article, they suggest abolishing all income tax for workers who earn less than the average national income, and drastically increasing the taxation rate for the top earners.²

Two facts stand out about economic reform in India. The first is that it is a mixed bag. In some areas reforms have been successful. But in others, progress has been negligible or non-existent.

The second striking fact is that once a policy reform has been put in place, it has not been reversed. In the past 15 years, India has had governments of all hues. Several have come and gone within a year or less. All have been coalitions. However, policies that are in the country's interest have not been given up. This is a triumph of India's open, participative democracy.

An important area where reforms have been far-reaching is the management of the external sector. From 1956 to 1991, India was perennially in balance of payments crises with high levels of protective
tariffs, severe import restrictions, fixed exchange rates and low reserves. After one of the worst crises in 1991, reforms were introduced. These included a reduction in external tariffs, the introduction of a flexible exchange rate and the substantial liberalization of all transactions in foreign exchange. Today, India has one of the strongest balance of payments positions in the world, including large reserves and low external debt.

Another area where reforms have had a highly positive effect on growth and competitiveness is the removal of industrial licensing and price controls. The system of industrial licensing was introduced in the 1950s to discourage consumption of so-called "non-priority" items (such as synthetic fibres) and to encourage investment in heavy industries (such as steel). Both the maximum output of a company and the number of companies in an industry were controlled by government. The process of liberalization in this area began in the early 1980s, after a long period of slow growth (of only 3.5 percent annually). Licensing was eliminated in 1991. India also undertook substantial tax reforms. The highest marginal rate of tax on personal income was 97.5 percent in the early 1970s. This was a big cause of tax evasion and growth of the black economy. The rate has been gradually reduced to globally comparable levels of 35 percent. In these areas, reforms have been impressive. There is an equally impressive list of policy areas when reforms have been conspicuous by their
absence or limited in their scope. These include privatization or disinvestments in public sector undertakings (despite high fiscal deficits), reform of the power sector, rigid labour laws and the multi-layered administrative system (which is a major cause of corruption and delays). The lack of reform in these and similar areas leads to the inefficient use of resources.

There is a line that divides what can be reformed and what cannot. This line is politically determined and controls the direction and pace of reforms irrespective of the parties in power. If the beneficiaries of a restrictive policy belong to a coalition of special interests – such as labour unions, civil servants, government ministers and large farm owners – that policy is likely to continue. Privatization of public enterprises or reduction in farm subsidies adversely affect one or more such groups. Strong reforms in these areas are, therefore, politically unacceptable.

What about the future? My hunch is that the compulsions of current coalition politics are likely to prevail over economic objectives. In addition to the Congress party, the present coalition consists of several regional parties. These parties are powerful in their own states. However, in several states, the Congress, with whom they are allied in the central government, is the main occupation. There are also better disputes among some of them at the state level, even though their
leaders are members of the central government's cabinet. Furthermore, the government is dependent on the support of the Communist Party Marxist (CPM), Communist Party of India (CPI) and some smaller parties on the left. These parties are ideologically opposed the disinvestment or privatization in public sector enterprises, liberalization of foreign investments, reduction in fiscal subsidies and outsourcing of public services.

As a result of earlier reforms and other factors, India's economy is also doing quite well. Inflation is moderate, growth is good, external flows are strong and stock markets are generally buoyant. India is one of the fastest growing economies in the world with growth of more than 6 percent annually. The political will for pressing ahead with reforms in the face of opposition is therefore weak. India is likely to continue on its present path — with a bit of reform here and there. We are not likely to see any big reforms in crucial areas. There is a pity, India has the opportunity to lift its growth to 8 percent or more. It can also reduce poverty at a faster pace, and improve the efficiency and delivery of public services.
References:


2. In preventing the Big Backlash by Reiner Folk, World Economy & Development in Brief, March 26, 2008.