

# GLOBALIZATION OF BUSINESS

***We learn about the following in this chapter:***

- *Meaning of Globalization*
- *The factors that are included in Globalization*
- *Main characteristics of Globalization*
- *Advantages of Globalization*
- *Disadvantages of Globalization*
- *International trade agreements.*

Globalization is not a new phenomenon to business field. The period between 1870 and 1913 played a growing trend towards globalization. But after 1980 globalization achieved a great progress in the economic reforms of developing countries. Of late the achievements in technology, communication and internet communication systems have made large business units as global units, that means the activities of these large business units are not confined only to the place where they are established but spread all over the world. As a result of this the close relation and inter dependence among the countries of the world has increased and business and market have become worldwide units.

**Meaning of Globalization :** The International Monetary Fund (IMF) has defined globalization as “the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services and of international capital flow, and also through the more rapid and widespread diffusion of technology”.

From this definition, it is clear that

- Globalization is the increasing cross-border movement of goods and services.
- International flow of capital, technology and information.
- Formation of one worldwide market by obtaining raw materials and other resources from cheap market.
- Production of goods in any region of the world at cheaper cost.

## **Factors that are included in Globalization.**

- Globalization refers to the Worldwide phenomenon of technical, economic, political and cultural exchanges, brought about by modern communication transportation and legal infrastructure as well as the political choice to consciously open cross-broder links in the international trade and finance.
- Globalization encourages international capital and trade overcoming the political barriers among the countries.
- Globalization creates free trade zone by removing the import and export duties.
- Through container service in shipping, globalization reduces the transportation expenses.
- Globalization helps to reduce the restrictions on capital investment or fully removes the barriers on capital flow.
- Globalization creates subsidies to the Worldwide trade organization.
- Globalization creates harmonization of intellect are property laws across the mejority of states which have more restrictions.

(ex: some patent goods of China are found in houses of some prominent business houses of America)

### **Chief characteristics of Globalization:**

- Increases international trade at a faster the growth of world economy.
- Increases the international flow of capital including foreign investment.
- Globalization creates international agreements leading to organisations like the WTO and OPEC  
(oil producing and exporting countries)
- Development of global financial system.
- Increases the role of international organizations such as WTO. WIPO (World intellectual Property Organization), IMF (International Monetary Fund), etc., that deal with internnational transactions.

- Increases economic practices like outsourcing by multinational corporations.
- Creates international cultural exchange.
- Spreading of multiculturalisation and better individual access to cultural diversity.
- Creates international travel and tourism.
- Greater immigration including illegal immigration .
- Spread of local foods such as Pizza and Indian food to other countries.
- Development of global telecommunicational infrastructure and greater transfer-border data flow.
- Use of technologies such as exchange of data technology, internet communication satellites and cell phones improves.

### **Positive impacts of Globalization (Advantages of Globalization)**

- Globalization promotes economic growth and generates a wider range of products and services.
- Globalization helps to Increase the standard of living of the people.
- Globalization has made the availability of the similar type of products all over the world.
- Globalization increases the G.D.P. of a country.
- Globalization has helped in increasing the income of the people
- By buying the products from other countries, customers are offered a much wider choice of goods and services.
- Globalization creates competition for local firms and thus keeps the costs down.
- Globalization promotes specialization. Countries can begin to specialise in the those products that are best at making.
- Economic interdependence among different countries can build improved political and social links.

## Negative Effects of Globalization

Though it is true that the globalization has brought new dimensions to this world and people are mingling with each other more freely and professionally, there are certain challenges one need to face in accepting the new-u-turn... Some of the negative impacts of globalization are as follows.

- In order to cut down costs, many firms in developed nations have outsourced their manufacturing and white collar jobs to Third-world countries where the cost of labor is low. Globalization has also led to an increase in activities such as child labour and slavery.
- Globalization has resulted in a fiercely- competitive global market with the embarassment of unethical practices in business dealings.
- It is also observed that glovalization helped terrorists and criminals. At the heart of globalization is an idea that humans, materials, food, funds be allowed to travel freely across borders.
- Globalization has expanded the growth and development of cities which has been reduced to garbage-dumps where all the industrial waste is accumulated and pollution levels are sky-high.
- Fast food chains like McDonalds and KFC are spreading fast in the developing world. People are started consuming more junk food. The result is in the degradation of health and spread of diseases. The traditional family attached food habits are being slowly disappearing.
- Another comment levelled is that the rich are getting richer and the poor are struggling for a square meal.
- On a lighter side, even the deadly viral diseases such as AIDS and CANCER, Dengue fever etc., were transported from the forests across the globe.
- Globalization has led to environmental degradation.

- The amount of raw materials needed to run industries and factories is taking a heavy toll on the natural reserves of planet earth and pollution has severely impacted the quality of air that we need so much for our survival.
- The other challenges of globalization are cheap imports of goods from developing nations could lead to unemployment in developed countries where the cost of production is high.
- Further it leads to Increased competition for infant industry, and by dumping' of goods by certain countries at below cost price may harm industries in other countries.

### **World Trade Organization (WTO)**

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. WTO office is located at Geneva, Switzerland, established on 1st January 1995. At present 149 countries in the world are the members of WTO. All major decisions are made by the membership as a whole, either by ministers who usually meet at least once every two years.

### **The Major Functions of W.T.O**

- Bring into force the trade agreements throughout the world.
- Administering the world trade agreements as a mediator.
- Stress for free and independent trade throughout the world.
- Solving trade disputes that arise among the nations.
- Striving to reduce the Taxes in international trade.
- Bringing the international trade under legal framework.
- Assistance to under developed nations to get more facilities in international trade.
- Bringing efficiency in production and trade by utilising resource effectively.

**Apart from the above functions W.T.O aims at :**

- Brining down the living cost and raise the standard of living of the member countries.
- Settling disputes and reduce trade tension of the member countries.
- Stimulating economic growth and employment.
- Reducing the cost of doing business internationally.
- Encouraging good governance.
- Contributing to promote peace and stability of member countries.

### **EXERCISES**

**I. Discuss the following questions in group and then answer.**

1. What is Globalisation? Explain.
2. “Globalisation the world wide economic movement” substantiate your answer.
3. What are the advantages of Globalisation?
4. Make a list of the characteristics of Globalisation.
5. Explain the negative aspects of Globalisation with examples.
6. What are the aims of World Trade Organisation?

**II Activity :**

1. Make a list of the business organisations that have emerged as a result of Globalisation.
2. Collect information regarding the special goods that are being supplied through Globalisation.

**III Project Work :**

1. Collect information regarding Globalisation through internet and prepare a detailed report with pictures.
2. Discuss: “Globalisation has changed the food habits”

