



MODULE

2

Understanding Globalization

Interrogating Globalization

Lesson Objectives:

At the end of this lesson, you should be able to:

1. discuss economic globalization as a complex process responsible for enormous global and local changes;
2. explain economic globalization's accompanying cultural and political globalization;
3. articulate the assumptions behind globalization; and
4. critically evaluate the impacts of globalization especially for poor countries

Definition of Term

- ✦ **Development paradigms** – an idea of prescribed path to attain development through certain set of activities, according to a defined vision (Bellù, 2011)

INTRODUCTION

Globalization has been responsible for remarkable changes in the 20th century. In understanding it as a subject, one must examine what kind of changes are created and the underlying processes behind these changes. Furthermore, the pursuit of globalization operates on several assumptions that need to be evaluated. As a

complex change, it permeates people's daily realities as well as the lives of communities and countries. A deeper analysis is needed to assess whether the process and impacts of globalization are consistent with development that is sustainable, just, and equitable for the people and the planet.

Economic Globalization, Cultural Globalization, and Political Globalization

Globalization is mainly conceptualized as intensified transference or exchange of things across existing boundaries (Bartelson, 2000). However, globalization is primarily an economic process, the drive toward integration of economies throughout the world. This is achieved through trading and financial flows across countries' borders (IMF, 2000).

Globalization and its accompanying processes point to a paradigm about development (Pongsapich, 2003). Globalization is built on the belief that development can be achieved through rapid economic growth, made possible because of economic integration (Cavanagh, Mander & IFG, 2004). As a growth oriented model of development, it looks into GDP as indicator of success.

CONTEMPLATE

Competing Development Paradigms. A development paradigm is an idea of prescribed path to attain development through certain set of activities, according to a defined vision (Bellu, 2011). Below is a quote from Datu Kaylo Bontulan, a Manobo leader. He talks about a proposed business investment in their ancestral land that will displace indigenous communities.

"If this (investment) happens, we cannot cultivate our lands anymore. We cannot grow local crops on our ancestral domain. They will only force us to evacuate and use the military who will not think to kill us twice if we stop their project."

Salugongan Ta Tanu igkanugon, Datu Kaylo Bontulan, Talaingod (Velez, 2018)

What are your thoughts regarding two competing paradigms of development-development by building business in the ancestral land and development from the point of view of indigenous people?



Economic globalization is a complex global process of expanding the market economic system all throughout the world. The market economy, the economic system that gives freedom to entrepreneurs to control productive process to pursue profit, is just one kind of economic system designed by human societies. It is a corporatedriven process of enhanced transnational exchange of products, services, technologies, and capital, creating an increased interdependence of world economies (Shangquan, 2000).

Flows in the Age of Globalization

Important aspects of globalization include global trading, capital flows, and movement of people (IMF, 2000).

Trading

International trading, or the economic exchanges and deals between countries, is enabled by international fiscal payments where private banks and the central banks of particular nations play important roles (Encyclopedia Britannica, n.d.).

Global trading concerns importation and exportation. The world saw an increase in world trade from 1971 to 1999, and the biggest increase was seen in the export of manufactured goods. On the other hand, export of primary commodities such as food and raw materials often produced by poor countries declined (IMF, 2000).

Capital Movement

There was an increase in the capital flows to poor countries during the 1990s (IMF, 2000). One manifestation of capital movement is foreign investment. Foreign investment can be categorized as commercial loans, official flows, or foreign direct investment. Commercial loans are money lent to foreign businesses or governments, while official flows refer to development aid or money granted by rich countries to developing nations. Foreign direct investment refers to buying or putting up a firm in a foreign country or contributing to the enhancement of an existing firm (Levin Institute, n.d.). Transnational corporations, businesses that operate in more than one country, primarily undertake foreign direct investment.

Movement of People

People can migrate to other countries in search of better employment opportunities. In the Philippines, the number of Overseas Filipino Workers during the period April to September 2018 was estimated at 2.3 million (Philippine Statistics Authority, April 2019).

Cultural Globalization and Political Globalization

Increased interdependence of economies in the world also combines with globalization of culture and politics.

Cultural Globalization

"The current era of globalization, with its unprecedented acceleration and intensification in the global flows of capital, labour, and information, is having a



homogenizing influence on local culture. While this phenomenon promotes the integration of societies and has provided millions of people with new opportunities, it may also bring with it a loss of uniqueness of local culture, which in turn can lead to loss of identity, exclusion and even conflict.”

-UNESCO (n. d)

Cultural globalization refers to the increasing "contact between people and their cultures-their ideas, their values, their ways of life" (Kumaravadivel 2008, p.33). This significant change is getting deeply entrenched in contemporary societies. It is also linked to globalization of lifestyles such as music, meda fashion, food, as well as globalization of knowledge, science, and technology.

Political Globalization

Political globalization is the enlargement of the international political system and its establishments, where inter-regional dealings, including trade are managed (Modelski, Devezas and Thomson, 2007:59).

Conventional politics usually happens within national political spheres. In political globalization on the other hand, political decision-making can transcend the boundaries of nations. When talking of managing economic and trading matters, security, environment, and other transnational issues, some institutions come into play such as the World Bank, International Monetary Fund, United Nations, among others.

COMMUNICATE. Globalized lifestyles
Form groups. Each group will discuss the following: <div><div>1. Describe young people’s lifestyle—food media, fashion, art, movies, and music.</div><div>2. Find your groups’ similarities in lifestyle. Which among these are influenced by foreign culture?</div><div>3. What or who influenced you to adopt those kinds of lifestyle.</div></div>

Features of the economic, cultural, and political globalization, particularly the distinct characteristics of the economic integration, restructuring of the world, globalized ideas, movement of people, as well as the challenges for a sustainable world, will be further discussed in the succeeding lessons.

Assumptions Behind the Pursuit of Globalization

As a paradigm of development, globalization operates on certain assumptions about a desirable economy and development. However, these assumptions must be tested in the real world. Some critiques regarding the unreliability of these assumptions are summarized below:

Assumption Behind Globalization	Critiques to the Assumptions
Rapid economic growth will lead to development	Economic growth is only one aspect of development, other aspirations are: <div><div>✦ Achieving both material needs and broader social objectives;</div><div>✦ Social and economic justice and equity; ✦ Self-reliance;</div></div>
	<div><div>✦ Welfare, adequate provision of basic services; and</div><div>✦ Equitable distribution of opportunities, income and wealth.</div></div>
Trading will bring prosperity.	Trading benefits some more than others.
Poor countries will benefit from borrowed funds.	Borrowing of poor countries are coupled with conditions (SAPs), which make



	countries compromise spending for social services and welfare.
Poor countries need to catch up with rich countries by implementing economic policies toward economic integration.	<p>It will be difficult for poor countries to catch up because they are caught in unequal exchanges and underdevelopment.</p> <p>Underdevelopment cannot be understood just by analyzing one country but by examining it within the historical and worldwide political-economic system (Valenzuela, Valenzuela, 1978: 544).</p>
Removal of tariffs, quota can ease global trading and will lead to economic integration (toward prosperity).	<p>Reduction of tariffs in the Philippines since the 1980s led to unfair competition of local industries with imports. Industries direly affected by tariff cuts were paper products, textiles, ceramics, rubber products, furniture, wood, shoes, and leather goods. One of the industry worst hit was the textile industry, down to less than 10 firms from 200 firms in 1970s. Reduction of tariffs led to the death of several domestic industries (Bello, 2009).</p> <p>The loss of these local industries also resulted in massive unemployment.</p>

Institutions and Actors Shaping Economic Globalization

The pursuit of fast-paced international economic transactions as well as movement of people and knowledge is driven by certain actors in engagement with many sectors. Globalization is not a random phenomenon. It is devised by humans, guided by several assumptions about development.

Other important actors and institutions ensuring globalization are the international financial and trade institutions, as well as the United Nations agencies and regional organizations, such as the ASEAN. The roles of the International financial and trade institutions, responsible mainly for ensuring economic globalization, are discussed briefly:

Table 1: International financial and trade institutions, the World Bank, IMF and WTO

Organization	Role in Economic Globalization
World Bank	<ul style="list-style-type: none">✦ Facilitate investment of capital for member countries✦ Fund large-scale projects by providing loans for member countries✦ Implement the Structural Adjustment Policies (SAPS) for countries borrowing from the World Bank. SAPS are programs imposed on poor countries that require their governments to:<ul style="list-style-type: none">- reduce spending for social services such as education, health, and price subsidies;- prioritize repaying debts;- increase exports, provide subsidies for foreign export oriented firms; and- remove tariffs for imports.
International Monetary Fund (IMF)	<ul style="list-style-type: none">✦ Provide short-term emergency loans✦ Help bring enormous flow of foreign money through loans and speculative investment
World Trade Organization	<ul style="list-style-type: none">✦ Create rules for global trade and investment✦ Aim to reduce tariffs



- | | |
|--|--|
| | <ul style="list-style-type: none">✦ Create agreements for member countries regarding multilateral policies that push governments to relax regulations on environment, food safety, and product quality✦ Encourage countries to deregulate economies |
|--|--|

Summarized from: Cavanagh, J., Mander, J., & Globalization, I. F. (2004), *Alternatives to Economic Globalization: A Better World Is Possible* Ed. 2. Berrett-Koehler.

The World Bank, IMF, and the WTO aim to make sure that quicker and easier movement of products, capital, and trading between countries is achieved by implementing international policies, reforms, and agreements. One objective of global financial and trading institutions is to enforce common trading and financial flow standards and policies to all countries. Another common goal is to “deregulate” firms (deregulation). To deregulate businesses is to reduce the control of government over businesses, making them more powerful in implementing their visions, goals, and operations.

The Impacts of Globalization

Economic deregulation is met with disapproval from different groups such as labor organization environmental groups, indigenous peoples, and even consumer groups. Lessening government's control over businesses led to outcomes such as neglect of environment, low wages and unstable employment, under servicing of consumers, and privatizing common resources.

World Bank, IMF, and Debts

Supporters of globalization carry several assumptions about it. Assumptions need to be scrutinized against real-life conditions. Proponents and guardians of globalization, such as the IMF, acknowledge poverty and inequality existing alongside globalized economies. However, globalization trend must not be halted, but must be continued by embracing policy changes. International production is conceived to increase jobs created across countries. Poor countries need to catch up. But countries in the world are divided according to its role and power in the global system. A country's poverty or development conditions are heavily influenced by its position in the world system.

Contrasting Evidence of Positive Effects

- ✦ Increased income
- ✦ More employment
- ✦ Less poverty

Globalization Have Losers and Gainers

Increased trading may result to wider choices of consumer goods in the market. However, international trading produces varying results. Restructuring of economy through fast-paced flux of capital across different countries has impacts on places and social relations. These restructuring in places and social relations can have disintegrating effects for the development of communities (Katz. 2004). These kinds of global interactions produce uneven development.

Unequal playing field for local producers and foreign producers from developed countries lead to losses for local producers.

The Effects of Global Trading on the Philippine Local Economy

Because of enhanced global trading, cheap imported vegetables flood the local market. Local consumers and businesses find it cheaper to buy imported agricultural products than locally produced goods. Local producers are unable to compete with the modern and highly supported vegetable production from developed countries such as China, Australia, New Zealand, and the Netherlands.

Advertised to the world as a remedy to all problems, globalization comes short. It has not raised the poor from poverty. Instead, it has widened the gap between developed and developing countries and between the wealthy and the disenfranchised. It has hindered democracy and social justice, it has damaged small communities and displaced farmers from their lands. Additionally, it has sped up the largest environmental degradation known to



mankind. The only groups of people who truly benefited from globalization are the top officials of the world's largest corporations and the bureaucracies that sustain them (Cavanagh & Mander, 2004)

Alternatives to Economic Globalization

An important impact attributed to globalization is the nearly six-fold increase in the income measured in per capita GDP for the richest 25 percent of the world population in the 20th century. However, the poor populations did not experience this exponential economic growth. Income inequality worsened (IMF, 2000).

ASSESSMENT

1. Is globalization, characterized by a rapid exchange of goods, people, and capital across different countries, a random or a deliberate phenomenon?
2. Who are the important actors shaping globalization? What are your thoughts?