INSTITUTE OF LAW, JIWAJI UNIVERSITY, GWALIOR

COURSE - B.COM. LL.B. FIVE YEAR

SEMESTER – VI

SUBJECT - INTERNATIONAL MARKETING

UNIT – 5 - TOPIC- CONCEPT OF GLOBALISATION

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CONCEPT OF GLOBALISATION

Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure. The term has been used in this context since the 1980s, when computer technology first began making it easier and faster to conduct business internationally.

International trade and cross-border investment flows are the main elements of this integration. The process of globalization is therefore, an amalgamation of interaction and integration among different groups of people, various organizations and governments of different nations. When we talk about integration there are two types of integration negative and positive. Negative integration is the breaking down of trade barriers or protective barriers such as tariffs and quotas. Positive integration on the other hand aims at standardizing international economic laws and policies.

Four Levels of Globalization

Globalization most often refers to the increasing degree of connection between various countries and their economies. But another definition involves the efforts of businesses to expand their operations into foreign markets. This definition has gained importance with the advent of the Internet, which gives all companies the potential to achieve global reach in their operations.

According to Jennifer Deriyberry, businesses generally operate at one of four basic levels of globalization.

The first level is a multi-domestic company. At this level, the business consists of several independent units that operate in different countries, with little communication between them.

The second level, an international company, maintains a headquarters in one country and operates branches in other countries. At this level, the company is likely to impose its home country bias on other markets rather than making a true effort to integrate into the global economy.

The third level of globalization, a transnational company, consists of loosely integrated business units in several countries. At this level, the company makes a greater effort to address the local needs of operations in each country.

The fourth level of globalization is a truly global company. This type of business views the world as a single market, develops an overall strategy for its various operations around the world, and applies the lessons of each country to ensure its global success. Derry berry noted that this is the ideal level for a globalizing organization, but that it is not easy to achieve

Effect of Globalisation in India

India is one of the countries that succeeded significantly after the initiation and implementation of Globalisation. The growth of foreign investment in the field of corporate, retail, and the scientific sector is enormous in the country. It also had a tremendous impact on the social, monetary, cultural, and political area. In recent year, Globalisation has increased due to improvements in transportation and information technology. With the improved global synergies comes the growth of global trade, doctrines and culture.

Globalisation in Indian Economy

Indian society is changing drastically after urbanisation and Globalisation. Economic policies have had a direct influence in forming the basic framework of the economy. Economic policies established and administered by the government also performed an essential role in planning levels of savings, employment, income, and investments in society.

Cross country culture is one of the important impact of Globalisation in Indian society and has significantly changed several aspects of the country including cultural, social, political, and economic. However, economic unification is the main factor that contributes maximum to a country’s economy into an international economy.

Advantages of Globalisation in India

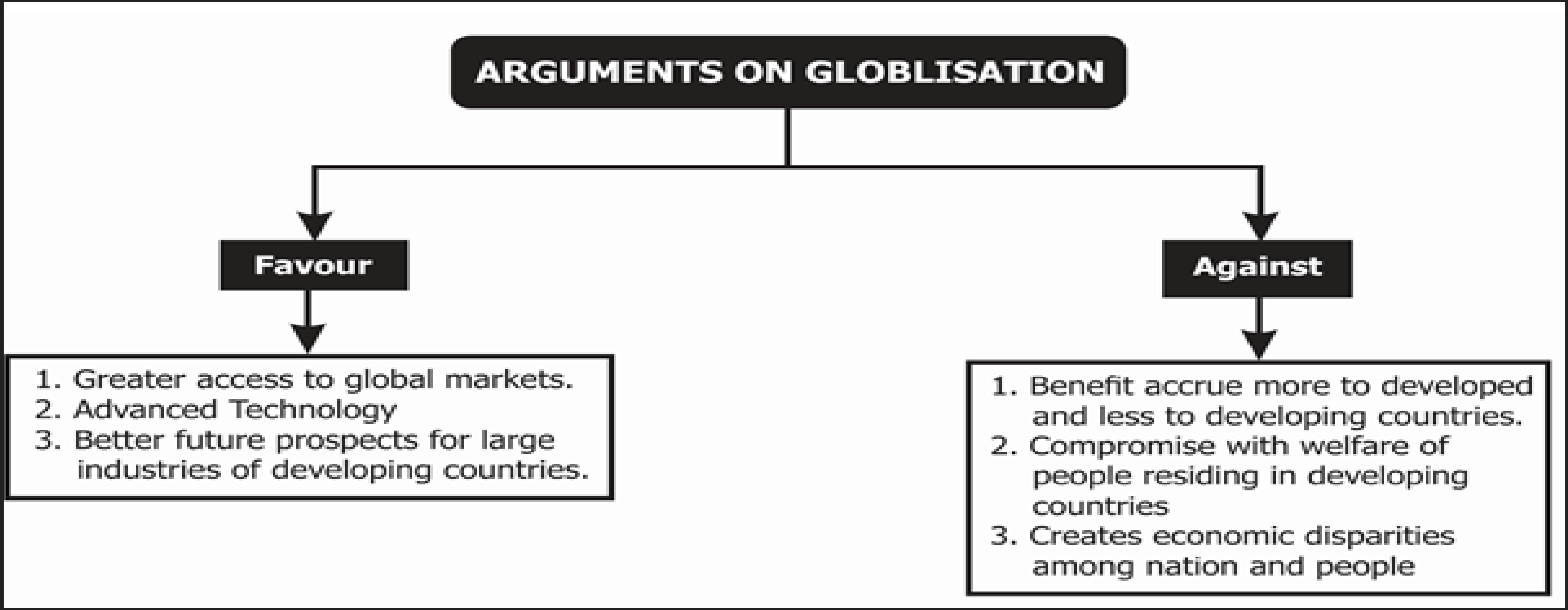
Increase in Employment: With the opportunity of Special Economic Zones (SEZ), there is an increase in the number of new jobs availability. Including Export Processing Zones (EPZ) Centre in India is very useful in employing thousands of people. Another additional factor in India is cheap labour. This feature motivates big companies in the west to outsource employees from other region and cause more employment.

Increase in Compensation: After Globalisation, the level of compensation has increased as compared to domestic companies due to the skill and knowledge a foreign company offers. This opportunity also emerged as an alteration of the management structure.

High Standard of Living: With the outbreak of Globalisation, Indian economy and the standard of living of an individual has increased. This change is notified with the purchasing behaviour of a person, especially with those who are associated with foreign companies. Hence, many cities are undergoing a better standard of living along with business development

Impact of Globalisation

Outsourcing: This is one of the principal results of the Globalisation method. In outsourcing, a company recruits regular service from outside sources, often from other nations, which was earlier implemented internally or from within the nation (like computer service, legal advice, security – each presented by individual departments of the corporation, advertisement). As a kind of economic venture, outsourcing has increased, in recent times, because of the increase of quick methods of communication, especially the growth of Information Technology (IT). Many of the services such as voice-based business processes (commonly known as BPS, BPO or call centres), accountancy, record keeping, music recording, banking services, book transcription, film editing, clinical advice or teachers are being outsourced by companies in advanced countries to India.


ARGUMENTS ON GLOBLISATION
Favour
Against
1. Greater access to global markets.
2. Advanced Technology
3. Better future prospects for large industries of developing countries.
1. Benefit accrue more to developed and less to developing countries.
2. Compromise with welfare of people residing in developing countries
3. Creates economic disparities among nation and people

Risks of Globalisation

1. Inequality: Globalisation has been linked to rising inequalities in income and wealth. Evidence for this is the growing rural–urban divide in countries such as China, India and Brazil. This leads to political and social tensions and financial instability that will constrain growth. Many of the world's poorest people do not have access to basic technologies and public goods. They are excluded from the benefits.

2. Inflation: Strong demand for food and energy has caused a steep rise in commodity prices. Food price inflation (known as agflation) has placed millions of the world's poorest people at great risk.

3. Vulnerability to external economic shocks – national economies are more connected and interdependent; this increases the risk of contagion i.e. an external event somewhere else in the world coming back to affect you has risen / making a country more vulnerable to macro-economic problems elsewhere.

4. Threats to the Global Commons: Irreversible damage to ecosystems, land degradation, deforestation, loss of bio-diversity and the fears of a permanent shortage of water afflict millions of the world's most vulnerable.

5. Race to the bottom : Nations desperate to attract inward investment may be tempted to lower corporate taxes, allow lax health and safety laws and limit basic welfare safety nets with damaging social consequences.

6. Trade Imbalances: Global trade has grown but so too have trade imbalances. Some countries are running big trade surpluses and these imbalances are creating tensions and pressures to introduce protectionist policies such as new forms of import control. Many developing countries fall victim to export dumping by producers in advanced nations (dumping is selling excess output at a price below the unit cost of supply.

7. Unemployment: Concern has been expressed by some that capital investment and jobs in advanced economies will drain away to developing countries as firms switch their production to countries with lower unit labour costs. This can lead to higher levels of structural unemployment.

THANK YOU