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KEY DRIVERS INVOLVED IN THE GLOBALISATION PROCESS AND ITS IMPLICATIONS IN INTERNATIONAL BUSINESS

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ABSTRACT

This research paper would illustrate the involvement of major drivers' of globalization and its results in forming an international business environment. Globalization, a process of transformation of small regions to form bigger region helps in increasing global connectivity, trading of goods over national borders and across continents. In short it helps in forming a borderless world in goods, services, cultural and ideas. Some of the key drivers of globalization involves the changing economic paradigm where the growth and managing of economies forms economic liberalism. Spreading of international governance and regulation in doing international business where economic liberal ideas gets invited and cross border barriers gets eroded; leads to the development of globalization amongst GATT and WTO. Trade and investments increases globally results in parallel movement of finance and capital. Innovative technology plays a vital role in globalization, helps manufacturing system and transforming value-chains leading to low transaction and operational costs which invented e-commerce and the rise of de-territorialization. Global consumer emergence helps building common preferences across borders and creates opportunities of global products and gets a global market. This paper will delineate the scope of globalization, its intensity of effect in global market growth which creates unprecedented new opportunities for sustainable development. It will also depict how globalization forms the embeddedness and extensiveness of the integration that takes place within and outside the countries and to the firms worldwide.

Keywords: De-territorialization, Economic Liberalism, GATT, Globalization, International Business and WTO.

I. INTRODUCTION

Globalization is the increase of goods, services which are traded over national borders and across continents. It is the process of transformation of small regions. It forms bigger region and increase global connectivity, faster connection by transportation and communication technology. Globalization is a borderless world in goods, services, cultural and ideas. The word Globalization is used since 1981. But it came into existence in late 1980s. One American entrepreneur also a minister named Charles Taze Russell used the concept of globalization. He used the term Corporate Giants during 1897. The reason behind this is to form a single region globally. It involves creation of a single society which will benefit the people to function together [2].

The globalization process involves combination of economic, technological, socio-cultural and political forces. Integration of national economies into international economy with the help of trade, FDIs, capital flows, migration and spreading of technology. It is thus the elimination of state barriers to form one region. It is the international trade of goods as well as services across the international territories. It helps in the growth of GDP. The globe is getting flat with globalized trade and outsourcing. Supply chain and political factors has changed the world permanently. Globalization came into existence during the 16th century in Portugal. It took many years to fully operate. Globalization thus started finally during the Roman Empire, the Parthian empire and the Han Dynasty where the Silk Road started in China which touched the boundaries of the Roman Empire and the Parthian Empire.

During the 17th century, Globalization played a significant role with the existence of Dutch East India Company which may also be called as the first multinational

corporation. The 19th century also called the First Era of Globalization, the period where we can see a massive growth in international trade and investments. It's between the European nations, their colonies and the United States. During this period only the areas like the sub-Saharan Africa and the Islamic pacific were involved into a world system. It began to break as the First World War took place. The modern globalization comes into act during the Second World War and it resulted in protectionism and reduction of international economic integration; also resulted in the lowering of international trade agreements the GATT.

This research paper would like to discuss about the various drivers of globalization which are as follows:

1) THE CHANGING ECONOMIC PARADIGM – DEMAND MANAGEMENT TO NEO-LIBERALISM

It is the growth and managing of economies and the increased acceptance of economic liberalism. Contrast to neo-liberalism, it limits the role of government in providing an environment where business keeps flourishing, heavily depends on releasing the competition forces. The idea of liberal economy took place. After the Second World War the philosophy of the GATT also came into act. Its main objective was to have progressive reductions of tariff barriers. Removal of tariff leads to increase trade. Free market ideology arises helped in forming an advanced industrialized world [9]. For example: Hong Kong, Taiwan accepted openness in external economic policy and gained development with global economy. Economic liberalism greatly replaced the communism after falling of Berlin Wall and disintegration of Soviet Union. Competitive liberalism got extension to domestic economic policy and increased interdependence complexity and helped

globalization take significant place in corporate strategies.

The GATT and WTO brought many promotions for free trade:

- ✓ Reduce tariff and construct free trade zones.
- ✓ Reduce transportation cost e.g.: development of containerization of ocean shipping.
- ✓ Capital control elimination.
- ✓ Subsidy reduction for local business.
- ✓ Harmonizing the intellectual property laws across the countries.
- ✓ Increased recognition of intellectual property rights.

2) SPREADING OF INTERNATIONAL GOVERNANCE AND REGULATION

Economic liberal ideas got invited and cross border barriers were eroded. This led to the development of globalization among the GATT and WTO members. Trade development got increased through integration and other barriers were pushed aside and trade agenda got broader and deeper scope. E-commerce got emerged to new heights. Example: The Doha Declaration gave information on completion and environmental policy which was not regulated earlier. There is a shift of high level governance on domestic issues and strengthen arguments that blurred national boundaries and eradicate the sovereignty of member states.

3) FINANCE AND CAPITAL SPREAD

Trade and investment got increased globally, requiring parallel movement of finance and capital. Liberalization, deregulation, change in technology transformed the sector of finance to support the increased number of transnational transactions. Finance was traditionally a fragmented area but introduction of the Euro-dollar market during the year 1960 changed the whole finance area. During

1970's, a series of US reforms made easier for US banks in operating broadly and foreign banks enjoyed accessing the US banking sector. SEM helped removing controls of capital movements within EU. Open markets introduced and adopted, leading to capital flows easily. These developments helped in increasing the complexity and volatility of international financial markets and emergence of a broader market place.

4) THE DIFFUSION OF INFORMATION AND COMMUNICATION TECHNOLOGY

Innovative technology played a major role in globalization, helping manufacturing system and transforming value-chains. Transportation as well as telecommunication technologies have transformed space-time distance and reduced effective economic distance among nations and organizations. Communication technology increased in converging with computer technology and helped in transferring data efficiently. This resulted in low transaction and operational costs which also invented e-commerce and deterritorialization arises.

5) SOCIAL AND CULTURAL CONVERGENCE

Combination of liberalization and global communication technology leads to social and cultural convergence resulting globalization. But this is not the end of global culture neither local nor national culture. The internet though plays a major role in mass media, broadcasting and global marketing. Social and cultural change across borders can only happen when there are common cultural beliefs, place and religion. Global consumer emergence helps building common preferences across borders and creates opportunities of global products. Thus products get a global market [1, 7].

This research paper finds that globalization plays a major impact on the overall economy. It mentions some issues which include the scope of its impact where it helps in accessing of states and indicates the technology diffusion, trade growth and FDI. The intensity of its effects involves in-depth embeddedness and extensiveness of the integration that takes place within and outside the countries and to the firms worldwide. Moreover the sensitivity of economics includes the degree in which events in one place of the global system transmit themselves to the other parts of the system. Example: EU plays a tangible impact upon the form and also the nature of integration process. Globalization got progressed and the rationale behind integration has changed in meeting the requirements of internationalization markets. Europe's regional integration played an important role. But the economic performance in Europe compared with Japan and the US is yet to improve. Creation of economic space results in concentration of internal processes helping neglecting external impacts. Thus effect of globalization process on Europe is to stimulate the performance level of the states activity and challenging to rein the social model.

While carrying out the research this paper focuses on the implications of globalization in the international business environment which can be explained with the various phases and can be underlined in the globalization period.

First phase: Started during 1830, came into existence in 1880. International Business got improved as the existence of railroads, efficient ocean transport and rising of large manufacturing and trading companies took place. The telegraph and telephone were invented which helped in flow of information across borders.

Second phase: Began around 1900 and the rise of electricity and steel production took

place. During that period Western Europe became the most industrialized region in the world. It traded with Asia, Africa, the Middle East and established subsidiaries to the firms. Example: British Petroleum, Nestle and others established their plants globally.

Third phase: Started after the World War II, during 1945 there was a huge demand for consumer products and input goods to rebuild Europe and Japan. But the US was least affected, became the dominant economy. Earlier tariffs and trade barriers were high and strict controls on movement of currency, capitals. Thus countries gathered together and GATT established. It started with a series of annual meetings and aim was to reduce international trade barriers and encourage investments. Countries found out that encouraging liberalized trade would help them in having a better standard of living and will help in modernization and industrialization. GATT transformed to WTO as developed and developing countries began to join. Post world war, globalization established the IMF and the World Bank [8, 9]. MNE's were established worldwide and resulted in trade liberalization increasing international trade and investment. MNE's in Europe as well as in Japan began to threaten the US firms and trade barriers got erased leading to free flow of capital across borders which changed the global financial market.

Fourth phase: it is the current phase of globalization. It started in early 1980's. During this period there is huge increment of cross border trade and investment. Invention of Internet has effected globally. It helps communicating easily. Market liberalization took place between Europe and Asian economies. Emerging Markets like India, Brazil, and Mexico prospered greatly [2, 3]. Huge FDI's in capital and technology sectors were involved. Technological drivers helped in information gaining, communication and transportation. Executives with the help of modern

technology can operate long distance operations easily. This helped in sectors like banking, tourism, insurance and others. The world is connected globally.

According to the free trade supporters they believe that globalization brings big opportunities. It also increases economic prosperity and enhances civil liberties, efficient resources. It helps in trade benefiting, lower prices and increase in employment. It thus increases the standard of living for the developing nations. [8, 9] The establishment of WTO in 1995 has given many challenges for the globalization. It has created much more international trading system.

Apart from the phases of globalization and also its implications on the international business environment this research paper also looks upon certain factors which has resulted in the significant growth and enlargement of various nations. It can be discussed as follows:

FDI: FDI helped in economic growth of developing countries, benefitting countries mainly on foreign exchange and exports. FDI is an important resource for development. Effects of FDI policies in import duties but it differs from export policies. FDI stimulate economic growth and create dynamic comparative advantages. New technology transfer and formation of capital, development in human resources and expansion of international trade takes place. It increases international integration and interdependence and benefits of economic trade and scale. It increases productivity, widens scope of competition also positive contribution towards physical capital quantity in developing countries and quantitative contribution in manufacturing which leads to country's growth and development.

EFFICIENCY: Globalization leads to major benefit in capitalism. It helps in the use of natural and human resources and accelerate economic growth as well as

eradicates poverty, diseases etc. Non-discrimination policies are use which creates less costly facilities for greater communication of ideas across nations. Efficient mobility of people and resources and employment increases creating new opportunities. It helps in expansion of trade and investment of nations. Implication of globalization helps efficient production, distribution and upgrading of quality and quantity of goods and services, higher living standard and rise in average income [11].

EQUITY: One of the major implications helped in rapid growth in international trade - a way to economic globalization; increase in services-transport, finance, telecom and tourism. It helps countries by financial flows in form of FDI. Research shows that developed countries cover 3/4th world trade and capital flows. Increase of import goods from developing nations gets welcome. Greater equity leads to greater efficiency, which leads to progress and eradicate social ills. Facilities for learning opportunities and continue diverse cultural orientation. Thus the key element is equality of opportunity.

PARTICIPATION: All the countries should equally participate in making decisions, production progress and opportunities in income gain and wealth. It helps in cooperation, collaboration with little sacrifice for agreements. Major benefit is the intimate sense of community and gain great opportunities and openness, wide progress, active participation reduces opening of authoritarians and populist government. If nations do not participate there will be danger that some unrepresentative minority may take decisions. Thus country participation is necessary for reaping the benefit.

RISK ADJUSTMENT & EMPLOYMENT OPPORTUNITIES: Tying the knot with different nations results in uncertainty and volatility of national economy and responsibility increases for rich nations, burden of risks increases too but they gets

the benefit when risk payoffs. Globalization leads to employment opportunities and also leads to generation of employment period frequently. Recovering of unemployment takes place continuously by establishing NGOs which plays a major role in filling the gap and supply of social work [7, 8, 9].

RESPECT, DIGNITY, HUMAN RIGHTS: As nations proceed towards globalization the national sovereignty losses in order to settle down international affairs. Rules must be introduced at individual level for encouragement of maintaining respect and treating others with dignity also introduce non-discrimination by all nations. UN establishes new rules for universal protection of individual human rights. Greater harmonization is necessary and human rights needed for applying of equal opportunities to people globally [12].

ROLE OF WTO: Established after World War II, a global trade and investment institution for liberalizing of trade and negotiation of trade, it generates full employment and protects worker rights, protection against global cartels. GATT, a part of the WTO helps in solving disputes between trade regulations and environmental organizations. Non-discrimination of trade and free trade with negotiations and binding and transparency also took place to promote fair trade and encourage development and economic reformation. Regional trading arrangements came into act. It also assisted developing and transition economies. Remove barriers on import goods and solve trade disputes of parties that cannot be solved by bilateral agreements alone.

ROLE OF THE WORLD BANK AND IMF: A multilateral aid organization it helped the market of individual nation by low rate of interest and long term loans. It thus helped in rebuilding the war destroyed nations. [1] An international institution that subsidizes large energy. Corporations get benefit from World Bank getting loans. It

has helped in building roads, electrical grid, and power- plant and served the population globally. It encourages countries implementing new ideas. It financed more than 120 environment linked projects by lending US\$ 9 billion.

This research paper on the drivers of globalization finds out that globalization has some of its drawbacks as well. It damages environment and widens income gap and generates MNC market domination. Also it leads to exploitation of cheap labor; focuses on global resources ignoring the domestic resources. It results in loss of national and cultural identity. [5] Volatility of market and insecurity of economy increases. Inequality of rich and poorer nations developed. Least developed countries are marginalized. New threats to human, financial and economic security might also take place. Sudden and hurtful disruption in daily life occurs. And finally the disempowerment of local communities may take place.

II. CONCLUSION

This research paper finds out that globalization creates unprecedented new opportunities for sustainable development. It allows poor countries to develop which results in eradication of poverty. Faster progress to achieve international development targets takes place and results in higher living standards and urbanization and also leads to high per capita incomes and mass increase of wealth. Trade liberalization takes place and helps in mass production of goods and services. It creates a space that eradicates national borders. Shifting of policies and increased focus on global market thus helps in forming one world by sharing values with diversity. Liberal ideas lead to economic globalization and it helps lower production cost especially labor. Thus globalization helps in avoiding of tariffs and quotas. Globalization creates opportunity to access global market. It also helps in avoiding of strict environmental

rules and increase in trade and foreign investments occurs results in global market growth and finally revenue generation for government takes place [4, 5, 6].

As we proceed towards globalization, some damages occur. But these flaws can be eradicated to form a global world. This research paper mentioned about the pros and cons and key drivers of globalization. [2, 3] Globalization has helped the world. India has grown fully from globalization. For example: Information Technology and IT related jobs generated tremendously. [1] Similarly China developed with its IT and manufacturing sector. Brazil developed themselves in IT and agriculture. Mexico got developed by trading agriculture. Thus globalization has played a major role in the development of developed and developing nations. Huge completion arises and helps in the increased amount of foreign investments. It helps in trading with the rest of the world, credibility enhancement and unity strengths and makes international negotiations results. Finally we can say that globalization reduces conflicts with inter-states and coordination takes place and it leads to the increment of bargaining power among the nations globally.

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