



## Driving Forces of Globalization in Emerging Market Economies Developing Countries

### Abstract

The paper will deal mainly with the macroeconomics of globalization (trade and finance), but before proceeding, a final distinction needs to be drawn between globalization and liberalization. Developing countries themselves had to take some important steps before the full impact of globalization could be felt. Specifically, they had to open their own economies, to lower the barriers to trade and capital flows that had been an important component of the import-substitution industrialization model that almost all followed for some period. Without these policy shifts, globalization would be much less relevant than it is today, especially in the developing world. Liberalization, then, is the other side of globalization.

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### Introduction

The term of globalization is the process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology (Tisdell (2004)). This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world. A policy and technological developments of the past few decades have spurred increases in cross-border trade, investment, and migration so large that many observers believe the world has entered a qualitatively new phase in its economic development.

Distinguishing this current wave of globalization from earlier ones, author Thomas Friedman has said that today globalization is "farther, faster, cheaper, and deeper." Globalization essentially is about economics. Because the world is ordered around a 'free market' or capitalist set of rules, hardly a decision is taken without first considering what it will cost. So it is not possible to examine an environmental issue, risk or problem without understanding the economic background that caused it (The global economy, 1999). Culturally, globalization occurs when ideas, norms, values, traditions and belief systems are spread from one society to another. This is made possible through the process of acculturation which simply refers to

the exchange of cultural elements that occurs when groups of individuals with distinct cultures come into contact (Kennedy, 2009).

This current wave of globalization has been driven by policies that have opened economies domestically and internationally. In the years since the Second World War, and especially during the past two decades, many governments have adopted free-market economic systems, vastly increasing their own productive potential and creating myriad new opportunities for international trade and investment. Governments also have negotiated dramatic reductions in barriers to commerce and have established international agreements to promote trade in goods, services, and investment. Taking advantage of new opportunities in foreign markets, corporations have built foreign factories and established production and marketing arrangements with foreign partners. A defining feature of globalization, therefore, is an international industrial and financial business structure. Other insights about the nature of globalization can be obtained by noting with whom developing countries trade and from where investment comes. Based on data for the first half of the 1990s, a clear distinction can be made (Stallings and Streeck, 1995). Asian developing countries mainly traded among themselves, and with Japan, and a growing share of their investment also came from within the region. In Latin America, in contrast, trade and investment were heavily weighted toward the United States,

especially in the northern tier of countries. In Africa and Eastern Europe, there was a focus on Western Europe.

Globalization is defined as a process which, based on international strategies, aims to expand business operations on a worldwide level and was precipitated by the facilitation of global communications due to technological advancements, and socioeconomic, political and environmental developments. The goal of globalization is to provide organizations a superior competitive position with lower operating costs, to gain greater numbers of products, services and consumers. This approach to competition is gained via diversification of resources, the creation and development of new investment opportunities by opening up additional markets, and accessing new raw materials and resources. Within the South Asia region, India and Pakistan have been the main recipients of FDI. The continuing upward trend in foreign direct investment to India has been offset in recent years by a decrease in foreign direct investment to Pakistan, and very small inflows to Sri Lanka and Bangladesh. A much broader spectrum of countries invested in India than was the case for most other Asian states. The major investors in India were Switzerland, the UK and Germany (*World Bank, Global Development Finance 1997*)

Diversification of resources is a business strategy that increases the variety of business products and services within various organizations. Diversification strengthens institutions by lowering organizational risk factors, spreading interests in different areas, taking advantage of market opportunities and acquiring companies both horizontal and vertical in nature. Globalization involves the diffusion of ideas, practices and technologies. It is something more than internationalization and universalization. It isn't simply modernization or westernization. It is certainly isn't just the liberalization of markets. Anthony Giddens (1990: 64) has described 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'. This involves a change in the way we understand geography and experience localness. As well as offering opportunity it brings with considerable risks linked, for example, to technological change. .

Technology has been another principal driver of globalization. Advances in information technology,

in particular, have dramatically transformed economic life. Information technologies have given all sorts of individual economic actors—consumers, investors, businesses—valuable new tools for identifying and pursuing economic opportunities, including faster and more informed analysis of economic trends around the world, easy transfers of assets, and collaboration with far-flung partners (The global economy, 1999). We argue that the distributional effect of exposure to international competition is conditional on individuals' ability. Globalization and liberation are directly linked with each other. Nehru was a rational thinker, and he wanted to apply science and technologies to solve the living problems of our time. In India, the foremost problem was India's economic, social backwardness, and the great mass poverty that prevailed at the time of independence. Nehru's vision was to get rid of that chronic poverty, ignorance, and disease, making use of modern science and technology. Productivity and competitiveness are, by and large, a function of knowledge generation and information processing; firms and territories are organized in networks of production, management and distribution; the core economic activities are global - that is, they have the capacity to work as a unit in real time, or chosen time, on a planetary scale (Castells 2001: 52).

The starting point for understanding the world today is not the size of its GDP or the destructive power of its weapons systems, but the fact that it is so much more joined together than before. It may look like it is made up of separate and sovereign individuals, firms, nations or cities, but the deeper reality is one of multiple connections (Mulgan 1998: 3). Nehru vision was to industrialize India, to urbanize India, and in the process he hoped that we would create a new society—more rational, more humane, and less ridden by caste and religious sentiments. From independence till the later part of the 1980s, India economic approach was mainly based on government control and a centrally operated market. The country did not have a proper consumer oriented market and foreign investments were also not coming in. In the 1980s, stress has given on globalization and liberalization of the market by the Congress government under Rajiv Gandhi.

Effort was also put to increase the condition of the GDP of the country and to increase exports. Even if the economic liberalization policies were undertaken, it did not find much support and the

country remained in its backward economic state. The imports started exceeding the exports and the India suffered huge balance of payment problems. The fall of the Soviet Union, a main overseas business market of India, also aggravated the problem. The country at this stage was in need of an immediate economic reform. This is perhaps the milestone in the economic growth if India and it aimed towards welcoming globalization. Since, the liberalization plan, the economic condition gradually started improving and today India is one of the fastest growing economies in the world with an average yearly growth rate of around 6-7%. The enthusiasts and supporters of globalization (Bhagwati, 2004; Wolf 2004) regard it as a wholly benign process, heralding the long awaited deliverance of humanity from economic backwardness, underdevelopment, and misery.

Today, India is the world's 12th largest economy in terms of market exchange rate and 4th largest in terms of the Purchasing Power Parity. Globalization and liberalization has also made a positive impact on various important economic segments. Today, the service sectors, industrial sectors and the agriculture sector have really grown to a great extent. Around 54% of the annual Gross Domestic Product (GDP) of India comes from the service industry while the industrial and agriculture sector contributes around 29% and 17% respectively. With the improvement of the market, more and more new sectors are coming up and reaping profits such as IT services, chemical, textiles, cement industry and so on. With the increase in the supply level, the rate of employment is also increasing considerably. There is a strong argument that the impact of globalization is most felt through the extent to which politics everywhere are now essentially market-driven. 'It is not just that governments can no longer "manage" their national economies', Colin Leys (2001: 1) comments, 'to survive in office they must increasingly "manage" national politics in such a ways as to adapt them to the pressures of trans-national market forces'.

Economic globalization is a surprisingly controversial process (Bardhan (2003). Surprising, that is, to the many economists and policy makers that believe it is the best means of bringing prosperity to the largest number of people all around the world. Under this belief, proponents of economic globalization have had a tendency to conclude that dissent and criticism is the result of ignorance or vested interest. They argue that anti-

sweatshop campaigners do not understand that conditions in the factories owned by multi-nationals tend to be better than those in comparable domestic firms in developing countries; that environmentalists are denying the world's poor of the right to develop freely; and unionists in developed countries are protecting their interests at the expense of the workers in poorer parts of the world.

At the same time, there is concern about the negative aspects of globalization. The dissenting voices question whether globalization has benefits for the world's poorest people, who may live on less than \$1 per day. Daouas (2001) observes that, "although globalization has helped increase economic growth and wealth in recent times, it has not done so for all continents and countries. In the least developed countries and on the African continent in particular, a worsening of existing imbalances has impeded development and aggravated poverty."

According to Walkins (2002), international trade and integration reinforce inequalities. Three quarters of every dollar generated through export activity goes to the world's richest nations. Low income countries receive about \$0.03. Globalization is exacerbating inequalities, including the development of library and information services in many African countries. Income gaps based on access to information products and services, its productive assets and education, are widening, and acting as a brake to development.

### Components of Globalization

The components of globalization include GDP, industrialization and the Human Development Index (HDI). The GDP is the market value of all finished goods and services produced within a country's borders in a year and serves as a measure of a country's overall economic output. Industrialization is a process which, driven by technological innovation, effectuates social change and economic development by transforming a country into a modernized industrial, or developed, nation. The Human Development Index comprises three components. Specifically, a country's (a) population's life expectancy, (b) knowledge and [education](#) measured by the adult literacy and (c) income (Nicolas Pologeorgis, 2010). Globalization brings reorganization at the international, national and sub-national levels. Specifically, it brings the

reorganization of production, international trade and the integration of financial markets, thus affecting capitalist economic and social relations via multilateralism and microeconomic phenomena, such as business competitiveness, at the global level. The transformation of the production systems affects the class structure, the labor process, the application of technology and the structure and organization of capital. Globalization is now seen as marginalizing the less educated and low-skilled workers. Business expansion will no longer automatically imply increased employment. Additionally, it can cause high remuneration of capital due to its higher mobility compared to labor. Nicolas Pologeorgis, "Globalization's Economic Impact on Developed Countries". 2010.

### Understanding the Concerns Globalization

Despite the fact that the definition of globalization has been attempted by hundreds of authors and distinguished speakers on the topic, the word continues to mean very different things to different people. In light of this, I do not attempt any general definition of globalization, but rather explain what is meant by globalization in the context of this paper. Although since the end of World War II international trade among free market economies had been moving forward through liberalization efforts like the Europe 1992 movement, the Uruguay Round of GATT (1993) and North-American Free Trade Agreement NAFTA (1994), the end of the Cold War constituted a major breakthrough for globalization (Yardeni, E. (1997).

Primarily when globalization is referred to here, what is actually meant is global economic integration, or 'economic globalization'. Economic globalization is occurring partly due to improvements in technology and decreased transportation costs, and partly due to a deliberate choice on behalf of many national governments, to increase their integration with the global economy. Thus we may see economic globalization as an aggregate outcome that results from the choices of many individual countries to increase their integration with the global economy. In terms of people's daily lives, globalization means that the residents of one country are more likely now: to consume the products of another country; to invest in another country; to earn income from other countries; to talk on the telephone to people in other countries; to visit other countries; and quite likely to know more about other countries than they were 50 years ago (Stanley Fischer, 2000).

Though it will not be a major issue in this paper, it is worth noting that the impact on a country of its own integration may be different from the impact of exogenous increases in globalization. Consider the case of Mexico. The impact of its own efforts at liberalization and integration may be to increase foreign trade and investment. At the same time, however, many other low and middle-income countries have been integrating, which leads to more competition for foreign capital and export markets. A survey of 25,000 citizens across 25 countries – 14 of them in the developing world – provides a clear and impressive answer: close to 75% of this highly representative sample of world population say that globalization improved both their own and their families' lives (Enviro-nics International; Global Public Opinion on Globalization; Toronto February 2002). This revolution has given companies the tools needed to reduce their costs and to be managed from a global perspective, while it has also provided consumers with cheaper and faster information to take their decisions. The technological revolution has contributed to widespread competition in a global world.

High tech equipments and their applications have revolutionized the way in which companies do their businesses and consumers receive information and purchase their products. To illustrate the speed of change with only one indicator, i.e., the increase in performance of cables: in 2001 one top class cable was able to transfer more data within one second than the whole Internet within a month in 1997 (Legrain, 2002). And the pace of improvement is not slowing down at all. The nature of competition is also changing rapidly, with continuous product innovation, shorter product cycles, greater flexibility to changes in demand, and a growing and closer interaction between producers and consumers.

Having established that globalization is largely the aggregate result of integration on behalf of many individual countries, we need to consider how individual countries become integrated into the global economy. There are ways in which we may consider the extent to which a country is integrated with the global economy. Economic integration has both a *deepening* and a *widening* dimension (see Gomez and Gunderson, 2001; Hoberg, 2000; Weintraub, 1994). The deepening dimension refers to the expansion of the different aspects or functional areas and market dimensions that are involved in expanding exchange. These aspects include: freer trade in goods and services, flows of

short-term financial capital, increased flows of longer-term capital, and enhanced flows of human capital embodied in labor, integrated operations of multinationals and enhanced flows of ideas and technology transfer. The widening aspect of economic integration involves the expansion of these different dimensions of deeper integration across different countries and regions. In North America, examples include: · the Auto Pact of 1965 involving integrated production in one industry, · the Canada-U.S. Free Trade Agreement of 1989, and

The first is to determine the level of restrictions placed on the movement of goods, services and factors into and out of the country. Thus an absence of trade restrictions, liberalized capital markets, and free movement of labor could all be considered indicators of an integrated economy. The second measure of a country's integration is the relative size of the flows of goods, services, factors, and profits into and out of the country. While in general these two measures are correlated, they are not identical concepts. The most important example of this is export enhancement programs. As will be seen later, this distinction is important to the globalization debate. Most people are happy with increases in trade, so long as it means they can sell more exports and buy more imports in return, yet they are not convinced that a policy of unrestricted free markets and minimal government involvement is the best way to achieve this goal. In line with this sentiment, the discussion in this paper focuses on integration as measured by the degree of liberalization of government policies with regard to trade and investment. Indeed, in some places the discussion will go beyond liberalization of external policies, to liberalization of domestic economic policies.

### **Existence of Globalization**

There is a widely held view that we live today in a world in which economic, political and technological relations have changed substantially, due the emergence of giant corporations with branches in countries throughout the world. Such corporations dominate production of computers, cell phones, oil and petrol, food, tobacco, pharmaceutical and armaments. The annual budgets of many of these corporations are larger than those of small governments. As a result they are powerful players in the economic and political life of many countries within the giant corporations, the production process of goods and services themselves have become globalized. For

example, where once motor plants produced cars from start to finish at one site, today different component parts are manufactured in different parts of the world and assembled in yet another. This has created what is called the new international division of labor (IDL). The elements of the IDL in Giddens' model are industry, production, jobs and skills, and technology, and these constantly interact with the other dimensions of globalization: the world capitalist economy, the nation state system and the world military order. (Giddens, 1990).

Thus, the IDL is both a condition and a process, and the above analysis provides an apt overview of the subject of this paper. In many instances the result is that labor intensive production such as in the production of clothing and footwear takes place in countries where wages and conditions of employment are low. Examples are found throughout the Far East where women and children are employed under conditions which would be outlawed in Western Europe and the United States. High value added production processes such as in the electronics industry takes place in countries with well paid and highly skilled labor such as Japan and Western Europe etc. The International Division of Labor is the one dynamic of the complex process of globalization that is most deeply affecting the employment relationship. There is no doubt that with globalization comes what Campbell et al call 'the rising phenomenon of labor market interdependence' (Campbell, 1997, p. 10). Labor, carried along in a world of diminishing barriers to trade and capital flows, and is increasingly being transformed from a local into a global resource.

Just as local economies are influenced, and in many instances dominated by giant corporations, national governments can no longer make policy and run their countries in isolation from the rest of the world. The United Nations, the Commonwealth, the European Union, the International Labor Organization, the World Bank and the International Monetary Fund are examples of international bodies that influence the policies and choices that national governments can make.

### **Macroeconomics of Globalization**

The trade and finance problems of Africa have been extensively examined from both theoretical and empirical angles. In this survey, an attempt is made to locate these problems within a global economy context. This is important for two main

reasons. Firstly, it helps one to identify the position of Africa within the world economy. Secondly, it allows one to assess the extent to which Africa's entry into the world economy represents an obstacle to development efforts being undertaken in that continent. Macroeconomic models are actually becoming more important. In the developing countries, macro models are currently being seen as important tools for forecasting and policy analysis. In this perspective the global models are becoming important due to the rapid rise in globalization (Geda, Ben Hammouda, Karingi, 2007).

Over the past two decades, economic processes associated with globalization have deeply impacted the lives of men and women of all ages, nationalities, social classes and ethnicities around the globe. The economic liberalization policies that have underpinned these processes are criticized as being "corporate-led", anti-poor, gender- and class-biased and destructive to the environment. Globalization and its discontents are being widely discussed. The "global justice" movement, which advocates economic policies for poverty reduction, human development, environmental sustainability and democratization, along with gender justice, is more visible than ever before. At the same time, gender equality and women's empowerment is increasingly recognized as an integral aspect of development, with numerous United Nations mandates, including the Beijing Platform for Action and the Millennium Development Goals, which are defined as central policy objectives alongside poverty reduction. Within the international development community, "gender mainstreaming" has now become a commonly used phrase (Çağatay, Ertürk, 2004).

The economic liberalization policies of the past two decades hold the key to an understanding of the recent phase of globalization. Trade and capital account liberalization, fiscal retrenchment, privatization and the "deregulation" of labor markets, among others, have been the individual components of these policies. In most developing countries, they have generally been adopted in the context of World Bank and International Monetary Fund (IMF) supported structural adjustment and macroeconomic stabilization policies, and have been deployed uninterrupted since the late 1970s, save for some modifications motivated by the recent attention accorded to institutions and poverty reduction (Williamson, John. 1990).

Deciding to focus on the economic aspects of globalization still leaves many doors open since economic globalization has both microeconomic and macroeconomic aspects. The former refer to the technological revolution and the impact at the firm level, while the latter are related to the integration of markets for goods and services (Oman, 1994). I will deal mainly with the macroeconomics of globalization (trade and finance), but before proceeding, a final distinction needs to be drawn between globalization and liberalization. Developing countries themselves had to take some important steps before the full impact of globalization could be felt. Specifically, they had to open their own economies, to lower the barriers to trade and capital flows that had been an important component of the import-substitution industrialization model that almost all followed for some period. Without these policy shifts, globalization would be much less relevant than it is today, especially in the developing world. Liberalization, then, is the other side of globalization.

**Table 1. The Role of Developing countries in Trade and Capital Flows**

	1980-1982	1987-1990	1996-1997
Exports (%)	32.7	27.2	34.0
Imports (%)	30.4	25.4	34.3
Total Billions \$	1,856	2,864	5,459
Direct Investment %	32.7	14.3	43.2
Portfolio Investment (%)	7.7	3.1	13.3
Total Billions \$	107	355	1,319

Source: IMF, Direction of Trade Statistics Yearbook and Balance of Payments Statistics Yearbook.

Both domestic and international policy changes are needed to deal with the new situation. As Dani Rodrik, one of the most prolific and most interesting analysts of globalization has put it: "Openness to the world economy can be the source

of many economic benefits.... But these are only *potential* benefits, to be realized in full only when the complementary policies and institutions are in place domestically" (1999, p. 1; see also Rodrik, 1997).

### **China and Globalization**

With a good understanding and anticipation of the processes of globalization, China has adopted an active and independent globalization strategy. China is a country where its politics are highly influenced by ideology; but ideological considerations have been consciously put aside in the pursuit of globalization. While many Chinese scholars were debating on globalization, Chinese leaders made their own judgments about the nature, advantages, and disadvantages of globalization; adopted an active strategy; and took appropriate actions in order to take full advantage of globalization (Yu Keping, 2005). Globalization is the objective trend of economic development in the world today, featured by free flow and optimized allocation of capital, technology, information and service in the global context. It is the inevitable result of the development of productive forces and advances of science and technology, especially the revolution of information technology since the 1980s and 1990s.

China is emerging once more as a major player on the world stage. As its economy pushes full steam ahead, the rest of the world is being forced to examine how to respond. The international community goes beyond the debates on what international role China will choose to play in the decades to come and examines the thought-provoking notion of China's 'appointment' with globalization. Its amazing growth has been particularly good news for those countries that export the raw materials, agricultural products, and hi-tech goods needed to fuel China's growth. The recent health of Australia's economy, for instance, has been attributed in large part to Chinese investments in its liquid natural gas (LNG) products. (Yongjin Zhang, 2005). From a business perspective, companies that can tap into China's burgeoning demand will undeniably secure a long-term advantage.

China has learnt from her long history that isolation leads to backwardness. Development, progress and prosperity could only be achieved through opening to and integrating with the outside world, through stepping up exchanges and cooperation with other countries and through absorbing all fine results of human civilization. Therefore, we should embrace and seize the opportunities presented by globalization and adopt reforms to keep up with the steps of the changing world (Jian Chen, 2003). Due to the lack of a just

and equitable international economic order, the influence of globalization on countries at different stages of development is entirely different. The "dividends" derived from globalization are not fairly distributed. The developed countries have apparent advantages in capital, technology, human resources and administrative expertise and in setting the "rules of the game". They are usually the most active propellers and the biggest beneficiaries of globalization. The developing countries on the other hand are on the whole in an unfavorably position.

Developing countries can obtain some foreign investment, advanced technologies and management expertise, but at the same time they are the most vulnerable to the negative impacts of globalization and lack the ability to effectively fend off and reduce the risks and pitfalls that come along with globalization. Some least-developed countries are even on the brink of being marginalized by globalization. Therefore, in participation of globalization, developing countries should always be on alert and try by all means to exploit the advantages and avoid all kinds of risk and harm (Jian Chen, 2003).

In the past 20-odd years, China has maintained an annual growth rate of over 9.3% on average. China is the 6th largest economy and the 5th largest trading nation in the world in 2003. More than 200 million people have been lifted out of poverty. The average life expectancy reached 71.8 years in 2002, close to that of a medium-level developed country. The above accomplishments were achieved against the backdrop of a volatile international situation. The reason why China can achieve so much in such a short span of time and in a constantly changing international environment is because China has found its own road of development, suitable to its national conditions, namely building socialism with Chinese characteristics (Jian Chen, 2003). While sticking to the basic system of socialism, reforms should be carried out to solve the problems of incompatibility between the productive forces and the relations of production, and between economic base and the superstructure, so as to achieve self-perfection of socialism.

### **African Nation: Economic and Cultural Globalization**

Two forms of globalization have affected Africa in contradictory ways -- economic globalization, on the one hand, and cultural globalization, on the

other. The forces of economic globalization in the world as a whole have deepened the marginalization of Africa. The forces of cultural globalization, on the other hand, have substantially penetrated and assimilated much of Africa. On attainment of independence the economic marginalization of Africa was partly due to the fact that colonialism had created elite of consumption rather than elite of productivity. The general African economic situation is by now so well known that a comprehensive exposition is unnecessary. The continental performance has been poor: Africa overall has generally not even returned to the economic peak of the late 1970's when all natural resource prices were relatively high. While the continent was experiencing the "lost decades" of the 1980's and 1990's, other regions were, of course, making spectacular gains. In 1960, the continental average of per capita income in Africa was roughly three times the East Asian average (\$425 versus \$135 in constant 2000 US dollars) while in 2004, Asia's per capita income was twice as high as the African average (\$536 versus \$1,140 using the same measure) (Jeffrey Herbst, 2005).

The post-colonial African elite were more skilled at making money than at creating wealth. Money could be made in a network of capital transfers without generating genuine growth. The African elite had learnt the techniques of circulating money without a talent for creating new wealth. The colonial impact in Africa had generated urbanization without industrialization, had fostered Western consumption patterns without Western productive techniques, had cultivated among Africans Western tastes without Western skills, had initiated secularization without the scientific spirit. The stage was set for the marginalization of Africa in the era of globalization. In a highly provocative piece culled from his book, *Capitalist Nigger: The Road to Success*, pp. 97-119, Chika Onyeani 2011, concludes that the African educated elite is a failure, an individual who is not useful to the society, either in Africa or even as migrants. "The African elite have been a total failure; they cannot raise their heads in the community of scholars or the intelligentsia.

Let us take Nigeria as a case-study One had hoped that petroleum would enable countries like Nigeria to join the more prosperous forces of globalization. Following the dramatic rise of the Organization of Petroleum Exporting Countries, Nigeria became the fifth largest producer of petroleum in the world. Yet the nature of elite of

consumption, and the shortage of relevant skills, plunged the Nigerian economy into mismanagement, corruption and debt. Long lines at petrol stations and recurrent shortages of fuel were the order of the day. Commercial activity was often disrupted by shortages of petroleum products -- diesel, kerosene, cooking gas, and other commodities. The giant of Africa was in danger of becoming the midget of the world. Africa's Gulliver was in danger of becoming the Lilliput of the globe (Ali A. Mazrui, 2001)

Globalization remains a popular and controversial topic. The controversy stems from inequities in the way globalization has developed and spread. Globalization does not just relate to economic matters. According to Daouas (2001) it is multi-dimensional, affecting all aspects of life: economic, cultural, environmental, social, and political. Globalization is the process by which ideas, people, goods, services, and capital integrates economies and societies worldwide (Aninat, 2002). It creates an increase in the flow of trade, information, and capital, and gives people more mobility. Globalization has brought about integration of production and investment decisions, breakdown of trading and investment barriers, truly global companies with a large capital base, sharing of international trade, and heightened mobility.

In spite of these positive points, there are problems with globalization, especially in Africa. The problems come from a deep and widespread development crisis in Africa. Omoweh (2000) describes the situation as legacies of colonialism and neo-colonialism, the politics of the post-colonial state, poverty, foreign domination, instability, institutional and infrastructure decay, and dislocation. The benefits of globalization have not accrued equally across countries. Africa has had slow economic growth in recent times, and has lagged behind other continents. It is the least integrated into the global economy. According to Gondwe (2001), the chances for Africa's integration are unfavorable and marginalization may result. Globalization has favored the rich countries and has worsened the plight of Africa.

Growths in the world trade, foreign direct investment, and international financial flow have been the main manifestations of the increasing globalization of the world economy (Rugumamu, 1994). In addition, greater integration may foster human freedom by spreading information and increasing choice. Globalization has been

facilitated by the ease of exchanging and processing information because of breakthroughs in computer and telecommunications technologies (Aninat, 2002). This has expanded the services that can be traded, moving us toward a globally-integrated economy. Proponents of globalization see it as the key to an interconnected, independent, and prosperous world.

### Globalization Impact in South Africa

While the opportunities and benefits of the opening of economies are emphasized by its proponents and supporters, disillusionment is growing among many policy-makers and economists about the costs and risks involved in the globalization of national economies as well as the impact of it on future growth prospects. South Africa re-entered the international economy in the early 1990s at a time when the process of globalization was beginning to gain momentum.

Apart from coping with the forces of globalization, the South African economy also has to manage its emerging market status. The economic leaders among developing countries are generally seen as the emerging market economies. This group of 24 countries includes Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hong Kong, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russian Federation, Singapore, Thailand, Turkey, Venezuela and South Africa. Emerging market economies averaged real economic growth rates of 4 percent and 4.1 percent respectively during the 1980s and 1990s, in comparison with average rates of 3.4 percent and 3.3 percent for developing countries and 3.2 percent and 2.5 percent on average for the world economy (World Bank, 2000c:295). Emerging economies' exports contribute 23 percent to world exports and 92 percent of exports from developing countries (World Bank, 2000c:303,304).

The rising living standards that accompanied the rapid growth experienced in so many countries in the past few decades are tangible benefits of globalization (Krueger, 2006). This is not a new process, of course—the integration of the world economy can be traced right back to the early traders of the Mediterranean; to Marco Polo who helped foster economic links between Europe and Asia; to the industrial revolution of the 18th and 19th centuries when people witnessed a sharp rise in world trade. But, the multilateral economic

framework established in 1945 provided the basis for the sustained and rapid integration of the world economy that has been broader and more inclusive than in previous periods.

### Globalization in Asia

Globalization is often viewed as a threat to the authority and sovereignty of the state. The Asian financial crisis demonstrates that governments are increasingly hard-pressed to insulate their populations from the pressures of the world economy. Nevertheless, the state remains the central actor in Asia, and its centrality is unlikely to change in a fundamental way – even with the rise of globalization.

In recent years, with the rapid growth of technology and transportation, Globalization takes its toll on the globe; all the Asia countries try to modernize themselves to be a stronger nation. Striving to survive economically, which means they are following the path that the stronger, more developed western world had been through years ago. The pattern that Asian countries following have involved a great deal of western countries habits, so as they are modernizing, they are westernizing and the Asian flavor fades.

Asian states have played a key role in promoting globalization in the region. Singapore until the financial crisis, regional governments perceived globalization as a tool for *enhancing* national power. Singapore's decision to embrace the world economy helped it to become the financial center of Southeast Asia, and bolstered its strategic position in the region as well. China and Vietnam have undertaken substantial economic reforms to break out of isolation and strengthen the positions of those in power (Christopher B. Johnstone 1999). Greater openness to trade, foreign investors and visitors, and information from the outside world all have contributed to the erosion of sovereignty in Asia. But with few exceptions – Burma and North Korea, for example – Asian states chose to accept these costs in order to reap the benefits of globalization.

Behind the Asian embrace of globalization was the assumption that economics could be separated from politics. In other words, Asian governments sought to liberalize their economies even as they worked to protect existing political systems, institutions, and practices – an effort that proved

remarkably successful during the boom years. Globalization helped to give legitimacy to ruling regimes across Asia. In particular, rising living standards resulted in populations willing to tolerate governments that were often authoritarian – a phenomenon sometimes described as "performance-based" legitimacy. In countries like Indonesia, Malaysia, and even South Korea, growing prosperity and authoritarianism walked hand-in-hand. Despite the financial crisis, no Asian countries appear likely to reverse course and reject globalization. Few Asians perceive the North Korean and Burmese models to be viable alternatives to the global economy, and even Malaysia has moved recently to loosen the capital controls it imposed during the depths of the financial crisis. Some governments have even welcomed the opportunity for reform; as a South Korean participant pointed out, President Kim Dae-jung has used the crisis to implement economic restructuring that his predecessor in South Korea also considered desirable – but politically impossible.

Globalization has had a major impact on Asia's role in the world economy and, more than ever, the world has a profound interest in Asia's economic well-being and financial stability. We are also witnessing a time of enormous change and transformation in Asia, which offers great opportunities as well as risks. The current unfolding global financial crisis only underscores the growing interdependence of the world's economies, and though the global markets have brought benefits to developing countries and their citizens, recent events illustrate that challenges remain in such an integrated world. The international community needs an unprecedented level of world-wide coordination in order to navigate the uncertainties of today's global economy, and more than a decade after emerging from its own financial crisis, Asia stands in a unique position to lead the way out. Thus, in an increasingly interdependent world whose center of gravity is progressively shifting towards Asia, the theme of this year's conference, "Asia: Globalization and Transformation," could not be more appropriate (Giselle Dineris, 2009).

### **Conclusion**

Controversy regarding the costs and benefits of globalization has taken center stage in policy and academic circles. Double standards and unevenness which have been the hallmark of

globalization, made worse by the poor economic situation of African states. The only way to have a healthy economy in the long run is to create wealth. The global economy and society are undergoing an enormous transformation, driven by fairly basic technological revolutions. This transformation is changing where economic policy-making and implementation take place. It is changing the comparative advantage of national and regional economies. And it is bringing about rapid changes in the distribution of income. However, many believe the current situation is of a fundamentally different order to what has gone before. The speed of communication and exchange, the complexity and size of the networks involved, and the sheer volume of trade, interaction and risk give what we now label as globalization a peculiar force.

In light of ongoing technological and managerial advances, a certain amount of globalization is inevitable. However the extent and form that globalization takes is highly dependent on the combined policy choices of national governments. If the social consensus shifts towards outright rejection of globalization, nation states may back away from globalization, except where strong vested interests prevail. Thus it is important to maintain a viable level of public support for globalization, and in order to do this, proponents of globalization need to more adequately address the concerns of the general population. Researchers in the field need to understand these concerns, to direct research toward quantifying their impacts, and to recommend adjustments to the path of globalization where these concerns are found to highlight genuine deficiencies in the current process.

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