
SOME LIGHTS ON GLOBALIZATION OF ECONOMIC ACTIVITIES

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1.0. Introduction

We live in interesting times. The world is changing before our eyes in ways, which are often unexpected, exciting or disturbing. And our own position within it also seems to be increasingly uncertain and changeable. These fascinating changes experienced in every sphere of life are viewed to lead the whole world into a single place with an obvious homogenizing effect. This real life phenomenon now a days is addressed under the fashionable term of “Globalization”. The concept of globalization became current from about the mid-1980s when it began to replace terms like *internationalization* (increasing interwovenness of national economies through international trade) and *transnationalisation* (increasing Organization of production on a cross border basis by Multinational Enterprises.) as a more suitable concept for describing the ever intensifying network of cross border human interaction. Today the distinctive manifestation of globalization can be felt in almost every aspect of social relations in terms of trans-border network of communication, organization, production, military cooperation, ecological consciousness, standardized norms and even the way of thinking. Today, we not only live in a country in every direct and immediate sense we also live in the world as a single place. This paper is particularly meant to offer a brief outline of the issue of globalization in economic sphere.

2.0 Economic globalization

In fact the economic globalization- a more advanced and complex form of internationalization which implies a degree of functional integration between internationally dispersed economic activities, is the catalyst of globalization in other aspects of social relations. The following sections outline the process of globalization in various economic activities.

2.1 International Trade

The original and continuing fundamental of economic globalization is trade. Trade can link together geographically distant producers and consumers and often establishes a relationship of identification as well as interdependence between them. However the interdependence of national economies throughout the world is in any analysis not a new phenomenon. What is significant is the shift in the nature of economic interdependence and the pattern and trend in international trade. The striking development in recent years in International Trade pattern can be enumerated as follows: (a) The global economy is now multipolar with clear demise of economic hegemony of a single country (British hegemony from mid to late nineteenth century and US hegemony during few decades immediate after second World War.) However the fact remains that the actual extent of global shifts in economic activity is extremely uneven. Within the mosaic of unevenness three clear regional blocs are evident: North America, European Union, and East and Southeast Asia led by Japan. (b) The acceleration of export in manufactures from the Newly Industrialized Countries increased from 4.3% in 1963 to 12.4% in mid-1980s. In fact the Developing Market Economies as a group have constantly out performed the developed economies. (c) The growth of international trade came to be driven by the development of

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trade in commercial services than in manufacturing which in turn reflects the increasingly close interconnections at a global scale between production and circulation of activities. Finally, (d) since the early 1980s the world trade has been organizing as a series of competing trade blocs (e.g. ASEAN, EU, NAFTA) that seek to remove trade barriers between the members but are protectionist relative to the rest. Formation of such trade blocs might be seen as a globalizing strategy consciously directed to accomplishing economic security in an increasingly competitive global economy.

2.2 Global Integration of Production

In some sectors, Multinational Enterprises (MNEs) are operating on a true "global factory" concept and constantly locating their plants in LDCs where they can take advantage of lower wages and taxes and more liberal labor protection and environmental protection regime. The OECD (1992) documents four industries such as Automobile Parts, Chemicals, Construction and Semiconductor, that have been globalized in this way. With the waves of globalization they are discarding the view of world economy as a collection of many differentiated national economies and embracing the global view of single world economy. At the heels of tremendous advancement of production technology, the commodity production is being split into fragments which can be assigned to whichever part of the world can provide the most profitable combination of capital and labor (Frober et al 1980). Flexible production technology helps customize production to give way to the standardized production. The emerging forms of negotiated arrangements have been put in place: cross licensing of technology among corporations of different nationalities, joint ventures, orderly marketing agreements, second sourcing, off-shore production of components and cross cutting equity sharing are replacing the option of fully owned subsidiary. The MNEs are evolving from company organization to a loosely confederated network of fabrication activities and services are bought in for the short term. Today's computer based production technology is rather technical in character and it can therefore be the vehicle for a genuine globalization of production. The adoption of such technology produces high levels of structural unemployment in the developed market economies, which in turn, can be viewed as the first evidence of equalization in the international system of stratification. Instead of high value added and low value added division of activities, today it make more sense to re-order economic activities into (a) **real time** activities where distance and location are no longer relevant as a determinant of economic operations and (b) **material activities** where there is still choice of location. Take, for example, data processing services of all kind. Book and magazine publishers use real time operators around the world to convert manuscripts into computer readable form and send them back to the parent firm at the speed of electronic impulses. British Telecom has all its software computer programming done by programming specialists in India (Hoogvelt 1995). Another striking feature in the process of global integration of production is the flexible production capacity. In some industries production capacity is now sufficiently flexible to be viewed as a commodity, something that can be instantly bought and sold on the market. In some cases world wide manufacturing capacity can be allocated by competitive market forces through the use of information technology linked with cell based manufacturing technologies. In many industries, the application of CAD (Computer Aided Design) and CIM (Computer instructed Manufacturing) means that manufacturing concerns can establish small, independent cells that operate effectively and economically with only a modest capital investment. These production units can be organizationally and physically separated from design, marketing and engineering departments. Such independent providers of flexible capacity are next networked to the company in a kind of internal electronic market. This is now referred to as *Intranet*, as distinct from *Internet*. They compete with each

other for subcontracting orders. (Jaikumar 1994). Thus the tremendous progress in production and process technology along with the telecommunication facilities have been the cause of a significant structural change in production method and expediting its globalization.

2.3 Global Financial Deepening

Among the economic dimensions of globalization, probably the market for raising loans and capital is the most appealing. In the 1980s the growth of the financial or symbol or balloon economy outpaced the growth of the fundamentals of trade and investment in the OECD countries seven times or at a conservative estimate, the total annual value of transaction in the world's financial markets is now twice the total value of world production. (The Economist, 19 Sep. 1992, cited in Waters 1993). Today more than at any time in capitalism's history, the profits of finance capital are based on debt and exponential debt creation. Money is increasingly being made out of the circulation of money, having no connection with real outputs. The financial revolutions since 1980s have been characterized by a potent fusion of financial deregulation on the one hand and with powerful advances in telecommunication and information on the other. The global financial market has developed in two directions. First, the elimination of space has been accomplished by the conquest of time. It gives electronic access to the round-the-clock financial trading in world cities of Tokyo, London, and New York - the keyboard of the world economy. This continuous trading extends to dealing in currency, stocks, securities, futures, and commodities. Second, financial markets have been dedifferentiated so that banks have become stock dealers, building societies and credit unions have become banks and so on. After all, the entire system becomes more difficult to control. States are placed at the mercy of financial markets. The global feature of financial market is well captured in the following description: *Banking is rapidly becoming indifferent to the constraints of time, place and currency.....an English buyer can get a Japanese mortgage, an American can tap his New-York bank account through a cash machine in Hong Kong and a Japanese investor can buy share in a London-based Scandinavian bank whose stock is denominated in Sterling, Dollars, Deutsche Marks and Swiss Francs.* (Financial Times, 8 May 1978. cited in Harvey: 1989).

3.0 Conclusion

All said, globalization in economic activities is now-a-days an obviously felt aspect of real life. It implies that every company, be it multinational or domestic, needs to tune its management approach so as to face the present and future challenges in the market place. Today's companies need to be staffed with seasoned and talented managers with strategic vision and invest more on developing comparative advantage of intangibles like intellectual property, inventiveness, risk management, efficient operational cost management and privileged relationship with government and other firms in the industry.

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