

## 1.5 GLOBALIZATION AND ITS IMPACTS

- Globalization is the process of interaction and integration among people, companies, and governments worldwide.
- Globalization has grown due to advances in transportation and communication technology. With the increased global interactions comes the growth of international trade, ideas, and culture.
- Globalization is primarily an economic process of interaction and integration that's associated with social and cultural aspects.
- Globalization has had far-reaching effects on our lifestyle. It has led to faster access to technology, improved communication and innovation. Apart from playing an important role in bringing people of different cultures together, it has ushered a new era in the economic prosperity and has opened up vast channels of development.
- However, globalization has also created some areas of concern, and prominent among these is the impact that it has had on the environment.
- Globalization has featured extensively in the debates on environmentalism, and green activists have highlighted its far-reaching effects. Let us know about the impact of globalization on our environment.
- Activists have pointed out that globalization has led to an increase in the consumption of products, which has impacted the ecological cycle. Increased consumption leads to an increase in the production of goods, which in turn puts stress on the environment.
- Globalization has also led to an increase in the transportation of raw materials and food from one place to another.
- Earlier, people used to consume locally-grown food, but with globalization, people consume products that have been developed in foreign countries.
- The amount of fuel that is consumed in transporting these products has led to an increase in the pollution levels in the environment. It has also led to several other environmental concerns such as noise pollution and landscape intrusion.

- Transportation has also put a strain on the non-renewable sources of energy, such as gasoline. The gases that are emitted from the aircraft have led to the depletion of the ozone layer apart from increasing the greenhouse effect.
- The industrial waste that is generated as a result of production has been laden on ships and dumped in oceans. This has killed many underwater organisms and has deposited many harmful chemicals in the ocean.
- The damage caused to ecosystem from the oil that spilled from one of the leaking containers of British Petroleum in 2010 is just one of the examples of the threat globalization poses to the environment.
- Due to globalization and industrialization, various chemicals have been thrown into the soil which has resulted into the growth of many noxious weeds and plants. This toxic waste has caused a lot of damage to plants by interfering in their genetic makeup. It has put pressure on the available land resources.
- In various parts of the world, mountains are being cut to make way for a passing tunnel or a highway. Vast barren lands have been encroached upon to pave way for new buildings. While humans may rejoice on the glimmer with these innovations, these can have long-term effects on the environment. Various studies over the years, have found that plastic is one of the major toxic pollutants, as it is a non-biodegradable product.
- However, plastic is of immense use when it comes to packaging and preserving goods that are to be exported. This has led to increased use of plastic, causing widespread environmental pollution.
- It has made so many changes in our lives that reversing it is not possible at all. The solution lies in developing effective mechanisms that can check the extent to which it can impact the environment.
- Researchers are of the view that the answer to this problem lies in the problem itself, that is, globalization itself can lend support to building a better structure which is economically feasible and environment-friendly.

- Globalization is about competition, and if certain privately owned companies can take the lead in being environment friendly, then it will encourage others to follow suit.
- Further, environmental challenges such as global warming, cross-boundary water, air pollution, and over-fishing of the ocean are linked with globalization.
- Globalizing processes affect and are affected by business and work organization, economics, socio-cultural resources, and the natural environment.
- It is important that we put in some efforts to maintain harmony with the environment. The survival of human race on this planet is dependent on the environment to such a large extent that we cannot afford to ignore the consequences of our own actions. While there is a lot of debate and discussion on this issue, the need of the hour is to have effective policies in place, and implementation of those policies.
- The people that we have chosen to represent us have the responsibility of ensuring that the extent of damage on environment is curtailed, if not totally prevented.
- We hope this article helped you in understanding globalization and its impact on the environment and the importance of taking concrete actions against it.

### **Identified four basic aspects of globalization:**

1. Trade and transactions
2. Capital and investment movements
3. Migration and movement of people, and
4. The dissemination of knowledge.

### **Globalization subdivides into three major areas:**

(i)Economic globalization

(ii)Cultural globalization

(iii)Political globalization

### **Effects of globalization:**

#### **1. Positive effect of globalization:**

##### **➤ Global market**

The privatization of industries owned by the state has enabled the emerging markets to be successful. Most of the companies are increasing the consumer demand through extension and expansion of their value chain to international levels. As a result, the positive effects of globalization are expressed by the rising transactions across the borders.

Globalization has resulted in the formation of multinational corporations. The concentration of corporations in specific geographical economies has led to investment in other new geographical areas, where market competition is very high. Due to increased competition, the corporations continue to enlarge their market, in order to enjoy the economies of scale. This is because globalization enables economies to compete fairly at all levels, hence attracting investors.

##### **➤ Competition**

Competition in the market is largely due to globalization. As a result, the positive effects are visible, since global competition leads to products of high quality. The enhanced quality of both products and services are based on production approaches of customer demands and customer services.

For domestic companies to survive in the market, they are forced to raise their customer satisfaction levels, as well as their standards, while fighting competition from foreign companies. Besides, a global product must live to its goodwill when it gets into a new country. For example, the competition between Samsung and Apple has raised the market standards, as well as the customer service. Also, the two brands are living on their goodwill to survive the competition.

## ➤ Culture

Globalization has resulted in numerous positive effects on culture. There is no single civilization that had all good practices. Instead, the coming together of various cultures has made the world today a better place. The welcoming of people from various backgrounds and civilizations has resulted in the creation of new cultures, thus leading societal growth.

## ➤ Legal effects

Human rights have been improved as a result of globalization since media coverage on violations of the rights receives attention from all over the world. It is through globalization that leaders address inequalities since information and openness get promoted. In most cases, the result is enhanced prosperity and democracy.

## ➤ Stable security

Although the effect cannot be seen directly, globalization has contributed greatly in enhancing the world security. For example, it is extremely difficult to see two countries attacking each other if the economy of one of the countries depends largely on the economy of the other country.

Irrespective of the many violence that is being experienced in the world today, it is evidently clear that if some countries were not depending on each other's economy, deadlier conflicts could have or would occur, but all have been halted by globalization.

## **2. Negative Effects of Globalization**

### ➤ Environmental Damage

Increased production means increased utilization of natural resources. Besides, increased trade results to increased transport, which uses fossil fuels. As a result, pollution has increased, leading to climate change. The changes in climate are now a serious threat to humanity and the future of the world, all because of globalization.

## ➤ Fluctuation in prices

Globalization has led to increased market competition, hence leading to fluctuation in prices. For example, developed countries like the USA have been forced to reduce their products prices, because countries such as China offer the same products at cheaper prices. This is because the production cost in China is lower than in the USA. As a result, for developed countries like the US to withstand the competition and have customers, they are forced to lower their prices. The impact is adverse, as the ability to sustain social welfare in the US gets reduced.

## ➤ Job insecurity

Due to globalization, most global economy jobs are insecure and temporary. The impact is mostly felt in developed countries since they can outsource cheaper white collar and manufacturing jobs. For example, wages and manufacturing costs are lower in India and China, making countries like US and UK to outsource cheaper labor. The effect is people in developed countries losing or having few jobs.

### **Advantages of Globalization:**

#### ➤ Globalization allows us to pool all our resources together

One of the best examples of globalization within our lifetime is the construction of the International Space Station. The United States, Russia, Canada, Europe, and Japan are all involved in the financing and continued operations of the program.

#### ➤ Globalization would also reduce labor exploitation issues

When borders become less restrictive around the world, people tend to move to locations where their best opportunities exist. Under the current structure of our planet, impoverished nations with a lower standard of living offer wages that the developed world would find abysmal. Someone in Bangladesh making clothes for 10 hours per day earns less in a month than some workers in the U.S. earn before lunch.

By focusing on globalization, we could reduce child labor issues. Human trafficking concerns would be limited because of more border freedom. People could

live, work, or go where they please with fewer restrictions, making it easier to chase their dreams.

### ➤ Globalization reduces the prospects of tyranny

As the world moved slowly toward globalization in the 20th century, the nations realized that having a concentrated power with one administration reduced the likelihood of tyranny in pockets around the globe. Although there have still be issues with government oppression, including the chemical attacks on populace centers in Syria, the number of incidents is slowly declining. When we're able to move toward a global-centric society instead of a nation-centric one, these issues will continue to decline over time.

### ➤ Globalization improves communication access

Under a globalization perspective, people would have their risks associated by a central perspective instead. It would be like the United Nations vetting immigrants instead of the individual country. By reducing border restrictions, we improve communication access because we're no longer restricting the movements and actions of people on a per-nation basis.

### ➤ Globalization would remove tax havens for wealthy individuals and businesses

Tax havens are defined as either a country or independent area where taxation levies are at low rates. They offer foreign businesses and individuals an opportunity to keep their profits in local institutions with little or no liability. These havens share little, if any, information about these finances with other tax authorities.

Globalization reduces this issue because it eliminates the administrative structures in place which allow the wealthy to hide their funds from being taxed. That would mean these businesses and people would be treated as an average citizen is today. Greater transparency here would lead to better funding of social programs, which could reduce poverty and food insecurity over time.

➤ **Globalization would help the developing world progress faster**

Most of the world today is not developed. Outside of about 40 countries which have gone through their own version of the Industrial Revolution, the rest of the population still struggles as a primarily agricultural society. By reducing border restrictions, creating common payment formats, and opening product access by reducing export barriers, more people could improve their way of life. Higher incomes often lead to lower maternal and infant mortality rates too, which means we would be saving lives with this effort.

➤ **Globalization would reduce currency manipulation problems**

There are three primary currencies traded in the world today: the Dollar, the Euro, and the Pound Sterling. When a nation offers access to a weaker currency, those with stronger currencies buy and sell more often with them. It offers better value than spending at home. Globalization would reduce the efforts made to build weakness or strength into these currencies to influence local markets. We would be working toward a society where economic growth occurs on a global scale instead of in only local economies.

➤ **Globalization encourages free trade**

Borders create restrictions to the free flow of goods and services. One example of this issue is a duty and taxes paid on imported goods originating in the U.S. when purchased in Canada. These taxes apply on luxury items and other items of high value. The HST in Canada may be collected at a rate of 13%. Canadians use shipping service receptacles at locations like Point Roberts, WA to get around this tax simply because the laws haven't globalized like our access to goods.

➤ **Globalization could create more employment opportunities**

With fewer barriers to the import/export market, the cost of producing goods or offering services would decline without affecting the profit margins of companies. Consumers would benefit from the lower prices, consume more, and create additional job opportunities around the world. By creating an environment where free trade

encouragement readily exists, more innovation, creativity, and engagement would occur at every level of society.

## **Disadvantages of Globalization**

### **➤ Globalization may encourage more off shoring instead of less**

With fewer restrictions in place at the national level, some businesses may use off shoring to their advantage. Even if they kept jobs local, the threat of sending jobs to a different, cheaper region overseas could be used to justify lower wages at home. The end result of an effort to remove borders would be an increase in wages in the developing world, but a decrease in developed countries. Many households could see their standard of living go down if consumable price decreases don't occur simultaneously.

### **➤ Globalization benefits the wealthy more than the poor**

Value-added taxes above 25% exist in some nations. Tariffs above 70% exist for some products. Unless borders are completely removed, the advantages of globalization are challenging to achieve. The people who have the power to dictate policy would reap the most significant rewards. Those with money to invest would see their bank accounts continue to rise. At the same time, households living paycheck-to-paycheck would struggle to access what they require, suppressing their ability to pursue a better job.

### **➤ Globalization would encourage disease transfer**

The outcome of the Columbian Exchange was profound at the time. Over 90% of some population centers died because of their exposure to smallpox, chickenpox, and other diseases that the Europeans were somewhat immune to at the time. The Europeans brought back syphilis and other diseases as well. If global travel restricts eased, then issues with malaria and tropical disease could spread to portions of the world where exposures are minimal. Tuberculosis, certain influenza strains, and other communicable disease could produce outbreaks at epidemic levels.

➤ **Globalization could reduce social safety net programs**

Most nations today offer those in extreme poverty access to safety net programs for basic supplies..

➤ **Globalization would create a new system of politics**

We have already received a sneak peek of what a global society would be like from a political perspective. The individuals and organizations who spend the most to lobby politicians would receive the best chance of having their needs met first. We have seen billions spent in U.S. elections lately to influence legislation and policy to become favorable toward specific outcomes. This issue would translate to a global economy, where only the richest and most influential would influence laws which would impact everyone.

➤ **Globalization would not prevent resource consumption**

The goal of globalization is to equalize patterns of consumption for populations around the world. Even though there would be movement toward doing so, there is no getting around the fact that the wealthiest nations will still consume the most resources. The 20 richest countries in the world today consume almost 90% of the planet's resources each year. The United States constitutes 5% of the global population right now, but it consumes 24% of the world's energy as a country.

➤ **Globalization would make it easier for people to cheat**

The statistics of consumption (especially food) show us already that those who are in power take the majority of resources away from the general population. Globalization would likely centralize distribution of necessary resources. With only a few controlling access to the many, the chance to negatively impact populations on a large scale become greater when borders are reduced.

➤ **Globalization doesn't fix a lack of skills**

The future of employment involves programming, robotics, and artificial intelligence. Workers who adapt to automation with their skill set are the most likely to find employment in the coming generations. Jobs which require repetitive functions will

be the first to go away, which are the employment opportunities often found in the developing world. With no meaningful skills to a globalized economy, there could be a higher unemployment rate if border restrictions reduce because only those in the developed world would be trained for the new economy. Unless new vocational development opportunities implement with the globalization structures, the boundaries between the developed and developing world will likely continue to exist.

### ➤ **Globalization changes how humans would identify themselves**

Humans are global citizens in some ways already. We all share the same planet, after all, so we are united with that common ground. If we lose borders, however, we also lose a piece of our culture, ethnicity, or family heritage. People identify themselves based on their history, so being Irish in a global world would have less impact than it does today..

### ➤ **Globalization would negatively impact the environment**

Micro-plastics invaded our oceans, creating negative impacts on marine life. The waters of our planet are slowly acidifying, creating economic and health impacts every day.

## **Important Factors of Globalization**

### **(1) Historical:**

The trade routes were made over the years so that goods from one kingdom or country moved to another. The well known silk-route from east to west is an example of historical factor.

### **(2) Economy:**

The cost of goods and values to the end user determine the movement of goods and value addition. The overall economics of a particular industry or trade is an important factor in globalisation.

### **(3) Resources and Markets:**

The natural resources like minerals, coal, oil, gas, human resources, water, etc. make an important contribution in globalisation. The mineral based industries like steel, aluminium, coal in Australia are examples. Few of these Australian mining and metal companies are owned by European / Japanese / American companies.

Near distance to end user or consumer also is an important factor in globalisation. The large markets as consumer bases in Asian countries have led many European, Korean to Japanese manufacturing conglomerates and shift their manufacturing and trading bases in Asian countries.

#### **(4) Production Issues:**

Utilization of built up capacities of production, sluggishness in domestic market and over production makes a manufacturing company look outward and go global. The development of overseas markets and manufacturing plants in autos, four wheelers and two wheelers is a classical example.

#### **(5) Political:**

The political issues of a country make globalization channelized as per political bosses. The regional trade understandings or agreements determine the scope of globalization.

#### **(6) Industrial Organisation:**

The technological development in the areas of production, product mix and firms are helping organizations to expand their operations. The hiring of services and procurement of sub-assemblies and components have a strong influence in the globalization process.

#### **(7) Technologies:**

The stage of technology in a particular field gives rise to import or export of products or services from or to the country. European countries like England and Germany exported their chemical, electrical, mechanical plants in 50s and 60s and exports high tech (then) goods to under developed countries. Today India is exporting computer / software related services to advanced counties like UK, USA, etc.

## Eight barriers in economic activities:

Many countries in Particular developing ones impose restrictions to globalizations by:

- i. Imposing high taxes and duties for capital goods, spares and materials
- ii. Licensing restrictions
- iii. Foreign exchange restrictions
- iv. Investment restrictions
- v. Incentives and prioritization to specific domestic industries
- vi. Banning / restricting products of foreign origin
- vii. Procedural hassles, bureaucracy
- viii. Closed mind-set