

# A. INTRODUCTION TO CONTEMPORARY WORLD

## I. Definition of Terms

- a. contemporary - living or occurring at the same time; belonging to or occurring in the present
- b. contemporary world - the circumstances and ideas of the present age
- c. globalization – from the word *globalize* – emergence of an international network of economic systems;

– process of interaction and integration among the people, companies and governments of different nations, a process driven by international trade and investments

and aided by information technology;

– the best scholarly description: provided by *Manfred Streger* – expansion and intensification of social relations and consciousness across world time and

world space

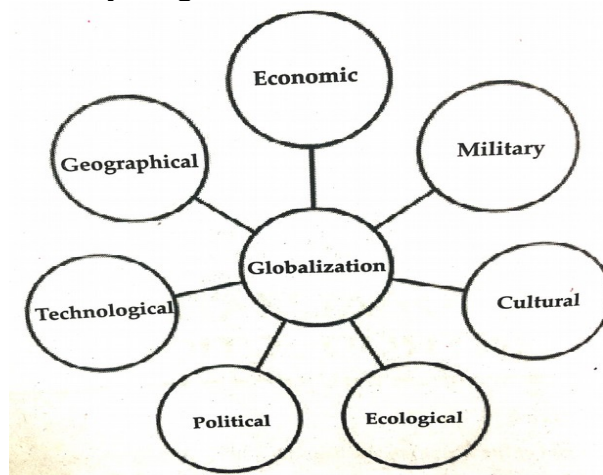
> Expansion – both the creation of new social networks and multiplication of existing connections that cut across traditional, political, cultural and geographic boundaries.

economic,

> Intensification – expansion, stretching and acceleration of these networks

## II. Factors

1. Economic Globalization – increasing interdependence of world economies as a result of the growing scale of cross border trade of commodities .
2. Military Globalization – the process which embodies the growing extensity and intensity of military relations among political units of the world system.
3. Culture – cultures of specific country can be shared or spread with other countries. The downside of this is some cultures that are exclusive on certain country are slowly diminishing.
4. Ecological – the process of globalization has many consequences in our ecology.  
> *Ecology* - relations of organisms to one another and to their physical surroundings.
5. Politics– political issues such as rights of women and children, many laws are already implemented. These aspects promote globally certain common values such as equality, human rights, justice, democracy and moral values.
6. Technology – plays a huge part, through advancement we can now already communicate to the people of other countries and give feedback on many issues all around the world.
7. Geographical - moving towards the trend of a borderless world, one can now explore other countries without any dangers.



## **B. APPROACHES TO THE STUDY OF GLOBALIZATION**

### **I. Globalization Remains a Contested Concept**

- because there exists no scholarly consensus. Despite, there are thematic overlaps in identifying the essential qualities of globalization.

### **II. Essential Qualities of Globalization**

1. It involves the creation of new and multiplication of existing social networks and activities.
2. It is reflected in the expansion and the stretching of social relations, activities and interdependence.
3. It involves the intensification and acceleration of social exchanges and activities.
4. The creation, expansion and intensification of social interconnections and dependence do not occur merely on an objective, material level.

### **III. Competing Concepts of Globalization**

There are subjective people as well, however their persistent experiences of global interdependence may have an impact with the way they act and become part of the global world.

With the aforementioned essential qualities, another definition is offered:

Globalization refers to a multi-dimensional set of social processes, that create, multiply, stretch, and intensify worldwide social interdependencies and exchanges while at the same time fostering in people a growing awareness of deepening connections between the local and the distant.

### **IV. Several Areas of Contestation / Conflicts**

1. It is an uneven process, meaning people are affected very differently.
2. Scholars not only hold different views they also disagree on scale, causation, chronology, impact, trajectories and policy outcomes. Like the blind men, they are partly right.

\* The *central task of globalization* is devising better ways for gauging the relative importance of each dimension without losing sight of the interconnected whole.

## **C. ADVANTAGES AND DISADVANTAGES OF GLOBALIZATION**

### **I. Advantages of Globalization**

1. Global competition and imports keep a lid on prices such that inflation is less likely to derail economic growth.
2. An open economy spurs fast innovation with fresh ideas from abroad.
3. Export jobs often pay more than other jobs.
4. Unfettered capital flow keeps interest low.

5. Living standards go up faster.
6. Productivity grows more quickly when countries produce goods and services in which they are of comparative advantage.
7. Countries liberalize their visa rules and producers so as to permit the full flow of people from country to country.
8. It results in freeing up the unproductive sector to investment and the productive sector to export related activities resulting in a win-win situation for the world economy.

## **II. Disadvantages of Globalization**

1. Several people lose their jobs when companies import cheap labor or materials or shift production abroad.
2. Workers face cut demands from employers who often threaten to export jobs.
3. Unregulated globalization can cause serious problems to poor and developing countries in terms of labor force, wages, benefits, job termination and others.
4. High foreign stake on industries where it is not necessarily needed could affect the economic growth of domestic enterprise.
5. Sovereignty of a country and company/institution maybe at stake.

# **D. COMPARATIVE ADVANTAGE AND PHILOSOPHY UNDERLYING GLOBALIZATION**

## **I. Comparative Advantage**

Globalization is grounded on the Theory of Comparative Advantage.

- This theory states that countries that are good at producing particular goods are better off exporting it to other countries that are less efficient at producing that good.
- The underlying assumption here is that not all countries are good at producing all sorts of goods and hence they benefit by trading with each other.

## **II. Philosophy Underlying Globalization**

Philosophy is a way of thinking about the world, the universe, and society.

Poses multiple challenges:

1. The concept of globalization has only recently been widely adopted – words ‘global’, ‘globality’, ‘globalization’ and ‘globalism’, as well as concepts of ‘global market’ or ‘global ecology’, were truly unknown almost up to the very end of the 20th century.
2. Discussions of world issues used the derivatives of ‘international’ rather than ‘global’ relations. The recent popularity of this new concept has resulted in innumerable contradictory definitions of the same.
3. While, normatively speaking, some associate globalization with progress, prosperity and peace, some others consider it to be retrogression, disaster and decay.
4. The common and indisputable trait of all its definitions is the view that globalization is a process of economic, social, cultural and political activity, which transcends nation-state

borders, and that it pertains to the world as a whole. It is within this context that the multi-dimensionality of the globalization processes comes to the fore.

5. Globalization is, thus, a complex and controversial process of the building of the world as a whole by creation of global institutional structures and global cultural forms.
6. Various ideological movements of resistance to globalization have been emerging in response to globalization, and that violent and destructive mass demonstrations staged in the various corners of the world are but a manifestation of this resistance.

- \* The point of the matter is that *globalization has had positive and negative effects* and therefore a deep approach is needed when discussing the concept.
- \* What is undeniable is that *globalization is here to stay* hence it is better for the countries in the global economy to embrace the concept and live with it in this contemporary world.

## E. STRUCTURES OF GLOBALIZATION

### I. Economic Globalization

Without any doubt, economic globalization does not constitute the whole story of contemporary globalization, but in order to understand its meaning and implication, the economic dimension as one of the major driving forces of the process of globalization, ergo, *requires special attention*.

- It refers to the increasing integration of world economies particularly through the movement of goods and services and capital across borders.
- It also sometimes refer to movement of people (labor) and knowledge (technology) across international borders

Interconnected dimensions:

1. Globalization of Trade of goods and services
2. Globalization of financial and capital markets
3. Globalization of Technology and communication
4. Globalization of Production

The major players of present day global economy are the *TransNational Corporations (TNCs)*. TNCs are constantly evolving due to the increase in communication and technological advances under the framework of *General Agreement on Tariffs and Trade (GATT)* and *World Trade Organization (WTO)* that cut down trade barriers.

### II. Origin and Consequence of Economic Globalization

Just as there is no single definition of globalization, there is no consensus on its origin either.

- It has been going on since *homo sapiens* began migrating from the African continent ultimately to populate world.
- 5,000 years ago - *Silk Road* – connected Asia, Africa and Europe.

- 1422 – Discovery of America by *Cristopher Columbus* and 1498 when *Vasco de Gama* discovered the route to India – after 2 decades overshadowed by technological advances by the *Industrial Revolution* that spread in Europe and Americas
- 17<sup>th</sup> and 18<sup>th</sup> century – first *multinational corporations* – British and Dutch East India Companies
- Total number of *ships* sailing to Asia from major European countries rose remarkably
- 19<sup>th</sup> century – real breakthrough - growth of world trade saw a dramatic increase thanks to the *transport revolution* – steamships, railroads reduced transaction costs and bolstered internal and international exchange.
- Short period *before World War I* (1870 to 1913) – *golden age of globalization* characterized by peace, free trade and financial and economic stability.

### III. International Monetary Systems (IMF)

- It refers to the rules, customs, instruments, facilities and organizations for effecting international payments
- Main task is to facilitate cross border transactions especially trade and investment
- It is more than just money or currencies; it also reflects economic power and interests.
- It is the global network of the government and financial institutions that determine the exchange rate of different currencies for international trade.
- It is a governing body that sets rules and regulations by which different nations exchange currencies with each other.

The establishment of *IMF* and *World Bank* is the result of the agreement among nations to set a body, which promotes and supports the international trade.

- Provides temporary financial assistance to member countries to help ease balance of payment adjustments
- *MDBs (Multilateral Development Banks)* like World Bank provide financing for development including technical assistance like advisory and preparation.

## STRUCTURES OF GLOBALIZATION PART 2

### I. Market Integration

- Integration – unification / combination / homogenation / assimilation
- A market economy is an economic system in which economic decisions and the pricing of goods and services are guided solely by the aggregate interactions of a country's individual citizens and businesses.
- Market integration occurs when prices among different locations or related goods follow similar patterns over a long period of time.

Groups of good often move proportionally to each other and when this relation is very clear among different markets it is said that the markets are integrated. Thus, market integration is an indicator that explains how much different markets are related to each other.

Example: Markets are important determinants of food availability and food access.

The extent to which markets make food available and keep prices stable depends on whether markets are integrated with each other. Integrated markets can be defined as markets in which prices for comparable goods do not behave independently.

If markets are well integrated, it can be assumed that market forces are working properly, *meaning that price changes in one location are consistently related to price changes in other locations and market agents are able to interact between different markets.*

If markets are integrated, food will flow from surplus to deficit areas - and imports will flow from port and border areas into the hinterland. High prices in deficit areas provide the incentive to traders to bring food from surplus to deficit areas, making food available. As a result of these flows, prices should decline in deficit areas, making food more accessible to households.

### II. Global Corporation

- One that operates in more than one country
- Maintains a strong headquarter in one country but has investments in multiple foreign locations (Example: manufacturing company or sales office in another location)
- Has significant investments in multiple countries but lacks a dominant headquarter
- Sensitive to local opportunities but vulnerable to threats (Example: a company that does business in Africa might be dealing with the implication of Ebola outbreak)
- Businesses in other countries are governed by local laws.
- They are pursued as a result of the strategic potential provided by technological developments, making new markets a more convenient and profitable pursuit both in sourcing production and pursuing growth.

- A direct result of either achieving higher levels of revenue or a lower cost structure within the operations or value-chain.
- Oil and car companies score high on this dimension.
- GE, Nestlé & Procter & Gamble are examples of companies with an increasingly global mind-set: businesses are run on a global basis, top management is increasingly international & new ideas routinely come from all parts of the globe.