# 2. Key Concepts and Issues since 1991 : Globalisation

We have studied the changes that took place in the world after 1991. We read about the changes that took place in Eastern Europe in 1989, the Kuwait crisis of 1990 and the disintegration of the Soviet Union in 1991. It was during the Kuwait crisis that the term 'New World Order' was used to describe the nature of world order. After the disintegration of the Soviet Union two terms came to be used: 'post-Soviet world order' and 'post-cold war era'. All these three terms focussed on the political and security situation that evolved after 1991. In the early 1990s another term started to be used. The term was 'globalisation'. Unlike the earlier terms the term globalisation was broader based. It included the nature of economic, ideological, political, technological, social and cultural changes that took place in the world after 1991. Today we use the term globalisation to describe the post-cold war era.

### What is globalisation?

When we talk of globalisation, we say that the world has become more interconnected. Technological developments have helped this interconnectivity. For example, online applications can be made for admission to any college or university abroad. Similarly, mobile calls or WhatsApp messages can be made from any part of the world to your friends and family. Changes have taken place in economics and trade. Indian fruits and flowers are exported to Europe and America, various consumer goods from Europe, America or China are available in the Indian market.

Globalisation increased interconnectedness among countries and people and events in one part of the world have an impact on other parts. There are various ways of looking at this change. One argument is that while interconnectedness has increased, the importance of the state structure has not declined. In fact, the concept of nationalism is still very much alive. Some feel that economics and technology are key factors that have brought the world together. They argue that the concept of sovereignty and jurisdiction of states is now being challenged. There are others who give importance to the civil society and non-state actors. According to them social movements cut across state boundaries and focus on humanitarian problems of the people.

Let us look at the changes that have occurred in each of these areas separately. We will also see how these changes have affected India. We are going to see the changes in these areas separately only for academic convenience. In reality all these areas are interconnected. This means that political or economic change will affect society and culture and vice versa.

### Economic Issues

Some of the important changes that have occurred in the area of economic issues are as follows:

(i) Free flow of finance capital : Investment is an important aspect of the economic system. Industries need finance. Investments help to build industries as they provide finance. Investments are done by both, the government and the private sector. Today you may have read about how Indian companies are investing in foreign countries. Private companies like Tatas, Reliance, etc have invested in various industries in America, Europe, Africa and other places. Even government companies like ONGC have made investments abroad. Similarly, a lot of foreign companies are investing in India.

These investments take place in both infrastructural sector and consumer sector. Foreign companies have invested in building airports, nuclear power plants, etc. in India. They have also invested in consumer food chains like MacDonald's, Burger King, Pizza Hut, etc.

Prior to the 1990s such investments were rare. There used to be several governmental rules that made investments difficult. This has now changed. This change is looked at as free flow of financial capital. This capital flows both ways, from India to foreign countries and from foreign companies into India.

India is a developing country; it needs financial investment in industry for its development. There are limitations to domestic financial investment in India. Therefore, foreign investment is always welcome. But we must also remember that this investment in the infrastructure sector is more important than that in the consumer sector. Real development will take place with building of communication networks through road, rail, water and air travel.

## Examples of Indian investments abroad



**Tata's Jaguar Land Rover in UK**



**ONGC Videsh Ltd, Vietnam**

## Examples of Foreign investments in India




**Microsoft in India**



**Nestlé in India**

(ii) Change in the concept of trade : Several changes have taken place in the approach to trade since the 1990s.

(a) International trade was governed by rules and regulations under the General Agreement on Tariffs and Trade (GATT) since 1948. GATT was not an organisation, it was an agreement amongst nations regarding trade. In 1995 GATT was replaced by the World Trade Organisation (WTO). WTO is an international body whose purpose is to promote free trade by persuading countries to abolish import tariffs and other barriers. The WTO is the only international agency overseeing the rules of international trade. It promotes free trade agreements, settles trade disputes between governments and organises trade negotiations.

(b) Trade is normally done in commodities. These can be commodities like iron ore, coal, oil or such perishable commodities like fruits, flowers, seeds, etc. In the 1990s the scope of the term 'trade' widened and we talked of trade in services. Thus banking, insurance, etc. were services and they were also looked at as matters in which trade can be done. Today we talk of trade in intellectual property. This includes copyrights, trademarks, patents, etc.

**Examples of Intellectual Property**




**Copyright** | **Trade Marks**

(c) Another change that has occurred in the area of trade is the use of container cargo ships. Container ships are able to carry huge amounts of goods across the world. There are special port facilities for container ships. The container cargo revolution has changed the manner in which trade takes place in the world today.



**Container Cargo**



**Do you know?**

(i) The General Agreement on Trade in Services (GATS) is a treaty of the World Trade Organisation (WTO) that entered into force in 1995. The treaty was created to extend the multilateral trading system to services, in the same way the General Agreement on Tariffs and Trade (GATT) provides such a system for merchandise trade.

(ii) The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) is an international treaty which sets down minimum standards for most forms of intellectual property regulation within all member countries of the WTO.

Some of the things TRIPs deals with includes copyrights, geographical indications; industrial designs; integrated circuit, patents, trademarks, etc. TRIPs also specifies enforcement procedures, remedies, and dispute resolution procedures.

(iii) Rise of transnational companies : Until the 1990s the government had a lot of control on the economic sector. There was a limited scope for the private sector. Globalisation has changed this situation. We have seen the growth of private companies. Companies that used to operate within the nation started operating in foreign lands. They became multinational companies. Today we also see the growth of transnational companies. This development is mainly in the private sector. How does this affect the common person?

(a) One impact is seen on the labour market. There is a migration of skilled and semi-skilled labour from one country to another. For example, these companies recruit both, skilled and semi-skilled employees. There is a lot of skilled and semi-skilled Indian labour working in West Asia, Africa, United States, Europe, etc. The growth of private sector has also increased the employment in the service sector. Various services like providing catering, delivery of goods, transport, etc. are being provided.

(b) A second impact is seen on the small industries and shops. They have to face competition from the big multinational companies. Shops and small industries that are efficient are able to compete. For example, we have seen big grocery stores and malls in cities, but despite these, the small shopkeepers, vegetable and fruit sellers continue to attract clientele. This is because they provide the necessary services to the people.

(c) A third impact is on the agricultural sector. Today farmers are able to sell their goods directly to companies. Multinational companies have brought in new technology and opened up markets for Indian agricultural products. For example, India exports marine products, meat, rice, spices, cotton, fresh fruits and vegetables, sugar, coffee, groundnut, cashews, etc.



**Do you know?**

-A **Multinational Company** is a company that is operating in several countries but has one home country from where it controls all the business. Some Indian multinational companies: Bajaj, Dabur, Aditya Birla, ONGC, Amul, Godrej, , Wipro, etc.

-**Transnational Corporations** are a type of multinational corporations. A Transnational Company is borderless, as it does not consider any particular country as its base, home or headquarters. Some Transnational companies: Nestlé, Bayer, Unilever, Siemens, General Electric, etc.

-The **Service Sector** is the third of the three traditional economic sectors. The first is the primary sector which covers areas like farming, mining, fishing, etc., the second is the manufacturing sector. Service sector provides various services like catering, housekeeping, security, etc.

**What do you think?**

Can the cooperative movement of India be an answer to the domination of multinational and transnational companies? The philosophy of the cooperative movement is to provide both, empowerment and finance to the members while that of the corporations work on profit motive. Give your opinion on this.

**Discuss :**

What has been the impact of globalisation on the Indian agricultural sector, especially the small farmer?

### Political Issues

Political issues in the context of globalisation mainly focus on the following:

(i) Importance of Democracy: The East European revolution of 1989 and the disintegration of the Soviet Union is looked at as the fall of communism. It has been argued that the world is moving towards democratic political systems. Terms like 'Participatory State', 'Citizen Centric Governance' and 'Good Governance' have become important. Participatory state goes beyond traditional democratic practices wherein the decision is made by the majority. In a participatory state all segments of the society are involved in the making of policy. Citizen centric governance and good governance focus on the role of the civil society in the functioning of the government.

(ii) Position of the State : It is being argued that the State is becoming less and less important. One of the key features of the State is its sovereignty. The concept of sovereignty is linked with the concept of jurisdiction of the state. This is the right of the State to make laws within its territory. It has been argued that the concept of sovereignty is being challenged from both, within and without. External challenges come from the growth of international law, regional economic organisations, globalisation of markets, growing environmental and humanitarian concerns, etc. Internal challenges come from a decline of national consensus, growth of ethnic nationalism, activism of non-state actors, etc. Issues like environment, gender and humanitarian problems have taken the center stage.

(iii) Non-State actors : It is the importance of the civil society that has given importance to non-state actors. Thus, Voluntary Organisations and Non-Governmental Organisations (NGO) have started to become more important. Today international relations is not relations between states, it also includes non-state actors. They play an important role in promoting humanitarian issues. Besides organisations like the Amnesty International, Green Peace Movement, terrorist organisations are also non-state actors.

(iv) Human Rights: In the age of globalisation protection of human rights has become an important agenda. But there is a need to make a distinction between the approaches to human rights of the developed world and the developing world. The Third World holds that economic development has to precede the full flowering of civil and political rights and that a greater value needs to be placed on community and family than on individual rights. The Indian constitution for example, lays stress on the aspect of social justice and looks at food, shelter, clothing, education and health as primary needs of its citizens. It is further argued that in the desire to achieve distributive justice there is an undue emphasis on liberty rights and not welfare rights of the people. Therefore, countries should have the right to interpret human rights in accordance to their history, culture, polity, and economy. Thus, the broad application of western approach to human rights, that focuses on civil and political rights and freedoms as a priority, would have to be tempered with the ground situation mentioned above.

**Let us see some examples to understand these issues better.**

- India is a signatory to various international

treaties, organisations and conventions. As a member of the WTO India is required to follow some rules regarding international trade practices. Treaties like the Indus Waters Treaty with Pakistan or the Farakka Agreement with Bangladesh requires India to follow the agreement in matters of sharing of waters of the Indus and the Ganga.

- Organisations like Amnesty International or Green Peace raise humanitarian issues and put pressure on local governments. Amnesty has been critical of the Indian government's position on human rights in regions like Kashmir.
- When the Chernobyl disaster took place the effects of radiation spread across Europe. Such environmental disasters cannot be restricted to a nation's boundaries. European countries were forced to cooperate and take action to ensure that the ill effects do not harm their population.
- The Narmada Bachao Andolan had approached the World Bank to support its cause of opposition to big dams and had internationalised the issue.
- There has been an opposition to the building of the nuclear power plants in Jaitapur and Kudankulam. Political parties and NGOs have opposed the building of these projects despite getting proper clearance.



**Agitation against Kudankulam nuclear plant**



**Chernobyl nuclear power plant after the explosion**

**Can you find out?**

Find out cases where the sovereignty of the State has been challenged by non-state actors.

In all the above cases the State's sovereignty was challenged by these groups. These are some of the challenges that the State faces from within and from without. Therefore, it is argued that the role of the State is slowly reducing. In the economic sphere it is reducing because of the increasing importance of the private sector and in the political sphere the domestic and international pressures have reduced the authority of the State.

How important is the State in the age of globalisation? Is the concept of the State and its features still relevant? Is there a withdrawal of the State as an agency of welfare and development?

Let us look at the main features of the State. The main elements are territory, sovereign government and people. Today, the territory of the State still remains intact. States still talk of nationalism and national integration. The concept of sovereign government also continues to exist. It is true that some of its powers have reduced due to international treaty obligations, but the authority of the State remains. The rise of ethnic nationalism and the demand for self-determination has led to the creation of new

States. But as we saw in the earlier chapter, this has led to the creation of new states and not the dissolution of the concept of the State.

States that have a strong framework of political institutions (like Legislature, Executive, Judiciary and Bureaucracy) are able to face the challenges of globalisation. It is these institutions that are able to protect the core values of a country, provide social safety nets and promote development in the country. Despite the many concerns about the loss of sovereignty, the State remains the key actor in the domestic and the international sphere. The popular assumption that the emergence of global civil society, and increasing levels of cross-border trade, finance and investment flows have made the State irrelevant, is wrong.

### Ideological Issues

Ideology was an important factor during the cold war era. Countries used to be classified as Socialist or Communist on the one hand and Capitalist or Free Democracies on the other. Soviet Union, East Europe, and China were grouped as the socialist world while West Europe and North America was the capitalist bloc. Ideology and the economic systems were well connected. While ideology was a political feature, the economic system followed by the countries depended upon the ideology of that country. For example, the countries of Eastern Europe had followed the Socialist ideology and had socialist economic systems where the government or the public sector was most important. Western European countries followed the capitalist ideology hence their economic system was also capitalist in nature. In these countries the private sector played an important role in the economy. During this period countries like India were 'Democratic Socialist'. This meant that they combined the ideologies of socialism and capitalism as per their requirement. Consequently, India had a 'Mixed Economic system'. This meant that both, the public and private sector played an important role in the economic system.

Today, in the era of globalisation there appears to be only one dominant ideological and economic system. This is described as 'Market Economy'. But all countries do not follow the same kind of market economic system. The nature of market economy is determined by the ideology of that country. Let us take some examples. The United States is considered a 'capitalist market economy' because it combines the capitalist system of economy with market economics. Western European countries are described as 'welfare market economies' because their political system is that of a 'welfare state'. China is described as having a 'socialist market economy'. China is a socialist state but its economic system changed in the 1990s and became a market economic system. In India we do not use the word market economics. We describe Indian system as 'economic liberalism'.

### Technology

The nature of global communication changed rapidly in the 1990s. Satellite communication system, mobile telephone, FAX, internet, etc brought in revolutionary changes in the social, political and economic life of the people.

Let us see the manner in which media changed in India. In 1990 CNN came into India. Until the coming in of a foreign channel, Doordarshan was the only TV broadcaster in India. In Maharashtra, for example we saw only two channels: Mumbai and Delhi Doordarshan. Within a span of a decade, the Indian TV network had several channels that were both private and governmental. Satellite communication system made it easy to have a dish antenna and watch programmes anywhere in India.

Changes also took place in other means of communication. Earlier, telephone connections were not available in all

households. People would use the public telephones in the Post or the Telegraph office in case of emergencies. Long distance calls were done through a system of Trunk Calls. Later on, the government introduced the Subscriber Trunk Dialling (STD). Today we have mobile connectivity which is used by almost everybody. Both, private and government mobile phone systems are available today.

The internet revolution was perhaps the most important revolution in the field of technology. It became possible to connect to anyone in the world instantly. This global communication infrastructure has helped in the spread of ideas, cultures and information. Internet has provided 'search engines' to find information, it has also enabled 'social networking' activity like 'Twitter', 'Skype', 'Facebook', 'Instagram', 'Whats App' etc.




**STD ISD Telephone Booth**



**Mobile Revolution**

The technologies of the information age are by their nature transnational. Mobile phones, satellite television and the Internet operate regardless of borders. This has facilitated the growth of transborder groups, bodies and institutions, ranging from non-governmental organisations (NGOs) and transnational corporations (TNCs) to international criminal and terrorist organisations. The states have found it difficult to control and restrict the operations of transborder groups and organisations.

**Can you find out?**

Find out cases where agitations have used social networking to highlight their demands.



**Do you know?**

The Arab Spring movement that took place in Egypt is sometimes called a 'Facebook revolution'. Find out what the Arab Spring movement was and how social networking was used during that movement.

## Social and Cultural Issues

The revolution in global media and the easy access to the internet has made people aware of what is happening globally. This, along with the movement of the people within the country and the world has had an impact on the society and culture. We see the emergence of what is called 'global cosmopolitan culture'.

There is a great deal of western domination on this global cosmopolitan culture. Values like modernisation, westernisation, secularisation are considered more important than traditional values. This is seen in personal lifestyles of the people. For example, there is an increase in the consumption of fast food like burgers, pizza,



**Friendship Day**




**Credit Cards**

vada pav, etc. The method of celebrating traditional festivals like Christmas, Diwali, etc. has become more westernized. New ideas like celebrating 'Mother's Day', Father's Day', 'Friendship Day', etc. have come in. There is also an increasing demand for 'western wear' in the clothes that are purchased in the market.

Another aspect of this global culture is the rise of individualism and materialism in the society. The breakup of traditional family system was mainly due to urbanisation. This has been further enhanced by the concept of individualism. We are likely to hear the words 'I want my privacy' or 'this is my personal space' right from school going children to elderly people. Similarly, the tendency to spend beyond one's financial means has increased due to the introduction of the credit cards.

When we look at globalisation from all angles, we realise that there are both, positive and negative aspects. The positive aspects are the new opportunities that have opened up for the youth in our country. We are now more aware of what is happening in the world, and how it can affect us. We are better connected. New employment opportunities have come up and more jobs are being created. This change is mainly through the private sector as it has the financial capability. There is a serious financial limitation on what services the government can provide.

But there are also negative aspects. There is the fear that the welfare activity that the State provides would come to an end. There is also the fear that international competition would cripple local business, especially small business. In the field of agriculture, the fear is that the small and marginal farmer would not be able to compete with the big corporations.

In reality, India's biggest problem is attitudes and mindsets. India has identified all foreign capital and trade with its history of imperialist dependence. Independence meant autonomy and self-reliance. India's opposition to liberalisation has roots in its ideology of anti-imperialism. India's socialists and capitalists are both hostile to liberalisation. The former for ideological reasons; the latter because of the fear of losing the traditional protection that they have enjoyed in India. In the long run, it is for the Indian State to protect its core values and ensure that the welfare net is maintained so the marginalized and the underprivileged people do not suffer. This continues to be an important role of the State in the age of globalisation.

**See the following website for additional information:**

India - A Hub for Globalisation, Remarks by Raghuram Rajan, Economic Counsellor and Director of the Research Department, IMF, January 7, 2005, New Delhi, India, International Monetary Fund, https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp010705

## Exercise

**Q.1 (A) Choose the correct option.**

1. Some of the important changes that occurred in the economic sphere in the age of globalisation are:
   (i) Free flow of finance capital
   (ii) Creation of GATT
   (iii) Rise of Transnational Companies
   (iv) Focus on intellectual Property rights

   **Ans. :**
   (a) Only i, ii and iii are correct
   (b) Only i, ii and iv are correct
   (c) Only i, iii and iv are correct
   (d) All are correct

2. The term 'socialist market economy' is used to describe the system in
   (a) India
   (b) China
   (c) France
   (d) United States

**(B) Find the odd one out.**

Mobile, Satellite, Internet, Gramophone

**(C) Suggest appropriate concept/word.**

(1) The international agency dealing with international trade -

(2) The companies that operate in several countries -

**Q.2 State whether the following statements are true or false with reasons.**

(1) Globalisation brought in the concept of market economy –

(2) Non-state actors have become irrelevant in the age of globalisation –

**Q.3 Explain co-relation between the following.**

(1) Globalisation and culture

(2) GATT and WTO

**Q.4 Express your opinion of the following.**

Participatory State is beneficial to the society.

**Q.5 Answer the following.**

What are the positive and negative aspects of Globalisation?

**Activity**

Talk to people of the older generation to find out what changes have taken place in the age of globalisation.