Details of Module and its Structure

Module Detail	
Subject Name	Sociology
Paper Name	Development, Globalisation and Society
Module Name/Title	Region (Globalisation and Its Impacts)
Pre-requisites	Understanding of different interpretations of globalisation and its general impacts and also of region
Objectives	To understand the concept of globalisation To define the concept of region and analyse the impact of globalisation on regions To study the rise of regionalisation
Keywords	Globalisation, region, regionalisation

Structure of Module / Syllabus of a module (Define Topic / Sub-topic of module)	
Globalisation and its Impacts - Region	

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Course: Development, Globalisation and Society

Unit: Globalisation and its Impacts

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Introduction

Globalisation is a process which has accelerated the flow of ideas, information, goods and services between various countries. Though the exchange of idea, information, goods and services point towards economic exchange but if looked at closely, even social and cultural aspects have been affected. Not only the things which are exchanged between countries are questioned but also among whom these things are exchanged is discussed. Some of the thinkers are arguing that globalisation is a wrong term to be used for fast exchange of things taking place in the world as the correct term is westernisation as only the western countries are exporting things that they manufacture and are trying to control the world market. And this control is not only in economic terms but also involves cultural control which these countries are exerting over other countries. In this process, one of the important impacts of globalisation can be seen on regions. Regions are the areas which come together owing to similar characteristics, and this similarity can be in geographical, economic, cultural or social factors.

It is interesting to note that globalisation has given rise to the concept of regionalisation as well. Though the two seem contradictory to one another but there are forces at work under globalisation which are giving birth to conditions for creation of regions. This module aims at studying the impact of globalisation on region. To understand this impact, the module is divided into four sections. The first section tries to understand the concept of globalisation, the second section tries to define the concept of region and talks about impact of globalisation on region or the relationship between globalisation and region and the third section underlines the development called regionalisation.

Objectives of the module:

1. To understand the concept of globalisation
2. To define the concept of region and analyse the impact of globalisation on regions

3. To study the rise of regionalisation

Understanding Globalisation

Globalisation is largely understood as an economic activity which leads to large scale flow of goods and services from one county to another. Globalisation is not a very new phenomenon but had started taking place in early 20th century when several countries traded without many restrictions. The first wave of globalisation is traced to the late nineteenth century and early twentieth century. In late 1800s and early 1900s, trade among various countries grew rapidly and lots of investment was made across countries. Butier (2001) says, "Between 1870 and 1914, international trade in goods and services was as free as it is today. International lending and borrowing were also highly developed and subject to few official restrictions (p. 2)." However, now it is pointed out by some that policies adopted in this period lead to some of the economic disasters in 1920s and 1930s. The second wave of globalisation is traced back to 1950s and 1960s when lot of developed countries did away with regulation policies and went ahead with open trade with different countries. But again this surge in investment saw a dip in 1970s as stagnation and inflation gripped the United States of America and Europe in the latter half of the decade (Omang, 1999). The next wave of globalisation came with the adoption of deregulation policies by developing countries. Many of the developing countries, for instance India in 1991, China since 1979, Indonesia and most of Latin America since mid 1980s liberalised their economies to attract investment from foreign countries. Development of various Information and Communication Technologies also contributed in making globalisation more intense in this period.

But as the process of globalisation progressed, it was realised that it is not only an economic activity but has repercussions on other spheres also. For instance, highlighting the importance of blurring of national and regional borders, Oman (1999) says, "Globalisation can be defined as the growth, or more precisely the accelerated growth, of economic activity that spans politically defined national and regional boundaries, (p-37)." While Butier (2001) in the same vein says, "Globalisation is the steady decline in importance of national boundaries and geographical distance as constraints on mobility (p-1)." However, again it is not just different definitions of globalisation that are being listed but different schools of thought have also emerged, each seeing globalisation in a different light. Three different interpretations of globalisation are usually discussed. First wave theorists say that globalisation is an economic phenomenon with some cultural effects (Hopper, 2007). Hence, they argue that globalisation not only affects economic activity of a country but also its culture. Second wave thinkers say that globalisation should be seen as the expansionist designs of already developed countries of the world (Hopper, 2007). They say that few countries which include Europe, Japan and North America have extensive technology and capital, and hence, are exploiting both these resources to further their own interests caring little for the other countries. Their primary aim is only to earn profit. Third wave of theorists are optimistic and say that globalisation is still an ongoing process and we should wait to properly define it. They say that certainly it is not just an economic activity but making lot many activities happen in its stride. Establishment of industries, technological and scientific development and sometimes even critical thinking are few of these activities.

Defining region and impact of globalisation on region

Region is an area which is generally marked separately from other areas on the basis of any of the characteristic of a particular area. Regions can be classified mainly on the basis of physical and cultural conditions. Physical conditions include categorisation on the basis of topography, relief, climate, soils, natural vegetation, minerals, etc. while cultural conditions generally include religion, language, population, agriculture, industries (Mondal, n.d). Regions are generally interdependent entities which function as integral parts of continuously changing and interacting networks. Regions which are classified on the basis of cultural factors provide their residents with a local identity and social and cultural roots (Suaud, 2001). The most common form of demarcation of regions is on the basis of geographical boundaries as it is quite a natural separation of a particular group of countries or areas. As globalisation is a process which is affecting every part of the world, globalisation has also shown impact on the regions. Suaud (2001) says that globalisation is inescapable and unavoidable phenomenon which directly impact regions. Though globalisation is affecting everything, but the economic aspect of globalisation seemed to have affected the regions the most. Prior to globalisation the trading agreements used to be signed between two or three countries but with globalisation, competition has increased in field of economic activities and hence, now countries try to negotiate agreements at global level or with many countries at the same time. It seems that countries which are rich seemed to have gained from globalisation as globalisation has given them a chance to export their goods and services to other countries grabbing new markets. But the regions which are poor and are still developing are facing challenges. For instance, Suaud (2001) says that globalisation is affecting the regions of Europe unevenly. The author says that globalisation makes some regions more vulnerable to external misfortunes and economic restructuring as they face problems like lack of national and international investment, emigration, brain drain, geographical isolation etc.

Rise of Regionalisation

Globalisation has promoted the concept of regional integration or regionalisation. It has led to creation of various regions primarily on the basis of favourable trading conditions. Economic activities between some countries have given birth to a particular region which prefers to trade and invest among these countries excluding the other countries. Globalisation has made countries identify other countries which have similar interests and integrate with them. The two terms, globalisation and regionalisation seem to be contradictory, as globalisation aims at integrating the whole world while regionalisation is formation of groups of some countries, but intense competition unleashed by globalisation has made the countries to look for safe havens and to trade with them. The countries in a region develop close relations and start depending on one another. Rzepka (2014) says, "Regionalisation is a long-term process of integrating the economies of certain countries and the region by intensifying and deepening their economic relations (as well as social, cultural and political), which leads to the formation of highly interdependent, regional system (p-191)." The author further relating globalisation and regionalisation says that both processes are similar to the extent that both aim at looking for favourable conditions for doing trade and investment. Regionalisation also looks for similar social and political support.

Rzepka (2014) says that regionalisation can take place at two levels, first level is regionalisation in a given region (continent, its part) and second level of regionalisation is between regions by making international relationships by signing various agreements or treaties. Though regionalisation is counted as one of the impacts of globalisation however, at the same time, it can be seen as a step towards globalisation. It means that initially few countries come together to trade freely among themselves, preparing themselves for larger markets. These countries remove trade barriers to do free trade and also sometimes, negotiate on establishing industries in each other's country.

The second level of regionalisation is achieved by signing various treaties and agreements. On the basis of signing of various trade agreements and other economic developments, Rzepka (2014) further identifies three phases of regionalisation. The author says that the first phase of regionalisation can be traced to 1930s when the world economy saw Great Depression. In this phase, most of the countries withdrew from the international agreements signed in the very early wave of globalisation as the countries were anticipating losses owing to recession in the world economy. The 1950s and 1960s can be termed as the second phase of regionalisation which saw the developed economies of the world again signing trade agreements to give impetus to trade and investment among these countries. The third phase of regionalisation came with the deregulation of developing countries in 1990s. The developing countries opened their economies to the world by easing trading norms.

Some economists see this regionalisation as beneficial since these are 'trade-creating' i.e. countries in a particular region remove impediments to trade and invest smoothly and efficiently (Butier, 2001; Oman, 1999). But at the same time, some economists see this as harmful as these regions are 'trade-diverting', i.e., the countries in a region completely exclude other countries from trade activities.

Though the smooth running of trade activities among countries in a region is being praised, the exclusion of countries has raised concern, especially the exclusion of developing countries. Oman (1999) says, "Some economists have also pointed out the danger of degenerate regionalism, i.e., an escalation of regionalisation that leads, as during the inter-war period, to a fragmentation of the global trading system into a number of relatively closed and hostile regional blocs (p-39)." Since these developing countries have recently deregulated their economies and have less resources, they are under threat from being excluded from blocs made by developed countries.

Various trade agreements were signed between countries to encourage free trade. General Agreement on Tariffs and Trade (GATT) was set up in 1947 after the World War II by the United States and it became one of the most important multilateral trade arrangements (Irwin, 2008). The GATT turned into the World Trade Organisation (WTO) in 1995 with few countries but at present, WTO has more than 140 member countries. The WTO oversees four international trade agreements: the GATT, the General Agreement on Trade in Services (GATS), and agreements on trade-related Intellectual Property Rights and trade-related investment (Irwin, 2008). WTO has become an organisation through which member countries starting trading setting the conditions which suit them.

European nations too thought of organising themselves to ensure peace and to encourage co-operation and reconstruction, and hence, the Organisation for European Economic Cooperation (OEEC) was born in 1948. The organisation aimed to recognise the strengths of each country and to work in cooperation by utilising these strengths. However, later on, Canada and the US joined this organisation of European countries. Thus expanding itself, the organisation became the Organisation for Economic Co-operation and Development (OECD) in 1961. At present, there are 34 members of OECD. Another important such formation which eases economic activities among some countries is the formation of European Economic Council in 1958. This formation is now known as European Union consisting of twenty-seven European nations. The countries among European Union have moved towards economic integration by removing large number of trade barriers. In fact, many countries in the European Union have adopted a single currency, Euro to encourage trade and investment activities.

However, not every country is finding it beneficial to sign a trade agreement through WTO. Some of the countries have signed agreements outside the purview of WTO. One such agreement is North American Free Trade Agreement (NAFTA) signed between the United States of America, Canada, and Mexico. The agreement was made in January 1994 and aimed at reducing tariffs on trade among these countries. Though signing of these agreements are good for trading activities but sometimes these treaties create different regions of trade which become inclusive in themselves cutting off from other countries. In this process, developing countries specially remain at loss. Irwin (2008) says that the critics of regionalisation believe that instead of supporting and complementing, these approaches may weaken and displace the multilateral WTO approach, which is to be preferred for operating globally on a non-discriminatory basis. Hence, the long-term result of bilateralism could be a deterioration of the world trading system into competing, discriminatory regional trading blocs, resulting in added complexity that complicates the smooth flow of goods between countries. Furthermore, the reform of such issues as agricultural export subsidies cannot be dealt with effectively at the bilateral or regional level."

However, the panic of globalisation and regionalisation is not only among the developing countries of Asian and other regions. Even the developed countries are afraid of developments taking place in developing countries like Japan and India, as these young emerging economies are progressing at a fast rate. These emerging economies have eased their trading tariffs to a large extent, for instance India has reduced its trade tariffs from three-digit to two-digits (The impact…, 2008). Even the Asian countries which are developing have formed their associations. For instance, Indonesia, Malaysia, Philippines, Singapore and Thailand formed the Association of Southeast Asian Nations (ASEAN) in 1967. Now, there are total 10 members as gradually Brunei Darussalam, Vietnam, Lao PDR, Myanmar and Cambodia joined ASEAN. The declaration of ASEAN says that the association aims to accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations. The South Asian Association for Regional Cooperation (SAARC) was formed by Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka in 1985. This too aimed to promote economic and political cooperation among Southeast Asian countries.

Another association which was established was the Asia-Pacific Economic Cooperation (APEC). It was a regional economic forum established in 1989 to create greater prosperity for the people of the region by promoting balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration. APEC claims that the GDP of the region has doubled from 1989 to 2013 and per capita income of the residents of the Asia-Pacific rose by 45 per cent.

Hence, there are number of trade agreements which are in place. Rzepka (2014) says that there are 230 regional integration agreements at present. But the signing of these agreements has raised some questions as well as concerns.

Oman (1999) says that regionalisation due to globalisation has raised two closely related questions: 1) Do the major regional integration agreements, notably Europe's Single Market programme and North American Free Trade Agreement (NAFTA), tend to balance, between trade-creating or trade-diverting? 2) Do these regional agreements tend to work for or against a more open world trading system which globalisation aims to create? Discussing further, the author says that the answers to these questions remain inconclusive. This inconclusiveness can be attributed to rapid developments taking place in this age of globalisation and need to have comprehensive research studies.

Owing to the intensification of globalisation in the present times, the development regionalisation is also changing. Rzepka (2014) says that a new regionalisation has emerged which not only aims at economic cooperation but also political, social and cultural cooperation. Defining this concept of new regionalisation, he says, "…new regionalisation is a concept and strategy – prepared and implemented by the countries of the region – using mechanisms of broad cooperation in economic, political, social and cultural spheres to strengthen the competitiveness of the region and to increase the benefits and to reduce the risks associated with globalisation (p-193)."

Conclusion

It is true that globalisation is providing countries with new opportunities to trade and invest, and making countries explore their potential in different fields. Globalisation is also contributing in raising the standard of living of the people. But it is found these impacts are not uniform for all countries, rather globalisation is affecting some parts in one way while others in another. Globalisation has accelerated the economic activity and in this process has led to formation of different regions. In another words, globalisation has given rise to regionalisation. Regionalisation is again seen as good as well as bad. It is proving to be good as it is creating favourable conditions for trade and investment within some countries in a region and it is bad as these countries at times close themselves to other countries.

But these two sides of good and bad can be balanced by adopting some policies and conditions. As Rzepka (2014) puts it, “Economic changes and the development of competition in the regions may be perceived as an important step of adjustments and of preparation of the economies of countries and regions to an increasing competition in the global market (p- 193).” Butier (2001) also says that it is crucial that the EU enlargement process be *outward-looking and inclusive* instead of *inward-looking* and *exclusive*. In the field of trade, care must be taken to ensure that the enlarged EU is *‘trade creating’* for the world as a whole, rather than ‘trade diverting’ at the expanse of the countries left outside the enlarged Union, (p-13).” Suaud (2001) says, “In constructing a global economic system, the free-market doctrine must be complemented by policies aimed at balancing out the adverse effects of regional territorial competition (p-1).”

Another issue that needs attention is the preservation of local cultures as local cultures are becoming one of the most important casualties in the process of globalisation. It is important that the local identity and social and cultural ethos of a particular region are not lost, giving a rise to larger loss at reducing rich diversity existing in the world.