

# GLOBALIZATION- AN OVERVIEW

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Can we conjure a singular image (tasveer) that would tell us what Globalization is all about? I kept nudging my imagination to create that one image but couldn't quite succeed. That was the time, when one image appeared across all TV channels. The broken and weeping face of Manjula, the wife of Suryanarayan, the engineer who was killed by the Taliban near Kandahar. The latest innocent victim of the contradictions of Globalization that is destroying the lives of millions of ordinary people day by day all over the planet earth!

Till he was kidnapped and later killed by the Taliban on 30<sup>th</sup> April, 2006, Suryanarayan's story is the success story of the so called great leap forward of the Indian economy in the era of globalization. A computer engineer, employed by a multinational InfoTech ( Bahrain-based Al-Moayed) company, rendering valuable service in the rebuilding of Afghanistan. Before we deal with the tragedy of the abrupt end of Suryanarayan's dream, we will briefly deal with the "Shinning India".

## **The First Phase of Globalization:**

The process of Globalization, in my opinion had started way back in the fifteenth century when the King Henry the VII<sup>th</sup>, who ruled over the British empire between 1485 to 1509, created the Royal Navy for the ostentatious purpose of protecting the maritime interests of the empire. The Royal Navy, which became an invincible naval force under Queen Elizabeth-I, became the vehicle to carry the British rule across the seven seas. Starting with the New Foundland in 1583, the British rule was established in far away countries like North America, Canada Atlantic provinces, Jamaica, Barbados and then Australia (1788), New Zealand (1840), India (1857) etc. By the end of the nineteenth century, the British Flag was fluttering over 1/4<sup>th</sup> of the world covering over 14.3.million square miles. Similarly, the French empire ruled over a large part of the world including few places in India (Pondicherry, Chandannagar) starting from 1804, the beginning of the conquest of Napoleon Bonaparte. The Portuguese empire lasted even till as late as 199 when Macau was finally handed over to the Chinese.

This process of capturing the foreign land during the initial phase (Starting from around 1600) led to the pre-capitalist accumulation of capital through trade, commerce and sometime plain loot and slave labor. After the establishment of capitalism in their own countries, the thirst for larger control over other countries for raw material and market became far more acute and during the second half of the 19<sup>th</sup> century, the British Empire expanded by mover 75%. This phase, which I call the first phase of Globalization, is generally referred to as the imperialist stage. This was the stage when the old imperialist powers like Britishers, French, Portuguese, etc fueled their own home industries with the wealth and raw materials of colonies. The Globe was under the boots of a few imperialist powers and the oppression and exploitation of the people of the colonies were clearly visible and glaring.

This phase of Globalization had a very important difference with the next phase of Globalization which in my opinion started with the Bretten Wood agreement in the year 1941, which I will describe a little later. **The difference was that the contesting imperialist powers prior to the second world war were bent upon protecting their own market within the territories occupied by them in exclusion to all others.** The international trade was therefore highly inhibited with the respective countries putting up trade barriers and manipulating the foreign exchange ratio to boost their own export.

The "beggar thy neighbor" policies of 1930s governments—using currency devaluations to increase the competitiveness of a country's export products in order to reduce balance of payments deficits—worsened national deflationary spirals, which resulted in plummeting national incomes, shrinking demand, mass unemployment, and an overall decline in world trade. Trade in the 1930s became largely restricted to currency blocs (groups of nations that use an equivalent currency, such as the "Sterling Area" of the British Empire). These blocs retarded the international flow of capital and foreign investment opportunities. Although this strategy tended to increase government revenues in the short run, it dramatically worsened the situation in the medium and longer run. This was the direct reason for the Great Depression of the 1930s and the two world wars.

## **Second Phase of Globalization:**

The second world war of course made it impossible for the old imperialist powers to continue their hegemony as in past and the war gave rise to two new developments:

(1) The colonies, over which the old imperialist powers were ruling over centuries were also rising demanding political independence. The ongoing independence struggles managed to grab political freedom in certain countries under the capitalist leadership (like in India in 1947) whereas in some cases political freedom was won under the leadership of the Communist parties (like in China in 1949). This however did not overthrow the yoke of capitalism but on the contrary made the ground fertile for the development of capitalism in erstwhile the colonies.

(2) (a) The erstwhile imperialist powers and the new capitalist countries like America, Germany, Japan etc realized that the past method of imperialist appropriation would no longer work. A conference was called at Bretton Wood to hammer out a new prescription of imperialist appropriation. **I call this the starting of the 2<sup>nd</sup> phase of Globalization.**

Preparing to rebuild the international economic system as World War II was still raging, 730 delegates from all 44 Allied nations gathered at the Mount Washington Hotel in Bretton Woods, New Hampshire for the United Nations Monetary and Financial Conference.

(2)(b) U.S. planners developed a concept of economic security—that a liberal international economic system would enhance the possibilities of postwar peace. One of those who saw such a security link was Cordell Hull, the U.S. secretary of state from 1933 to 1944. Hull believed that the fundamental causes of the two world wars lay in economic discrimination and trade warfare. Specifically, he had in mind the trade and exchange controls (bilateral arrangements) of Nazi Germany and the imperial preference system practiced by Britain (by which members or former members of the British Empire were accorded special trade status). Hull argued that:

*"Unhampered trade dovetailed with peace; high tariffs, trade barriers, and unfair economic competition, with war... if we could get a freer flow of trade... freer in the sense of fewer discriminations and obstructions... so that one country would not be deadly jealous of another and the living standards of all countries might rise, thereby eliminating the economic dissatisfaction that breeds war, we might have a reasonable chance of lasting the **Bretton Woods Agreements** during the first three weeks of July 1944."*

(2)(c) Setting up a system of rules, institutions, and procedures to regulate the international monetary system, the planners at Bretton Woods established the International Bank for Reconstruction and Development (IBRD) (now one of five institutions in the World Bank Group) and the International Monetary Fund (IMF). These organizations became operational in 1946 after a sufficient number of countries had ratified the agreement.

(2)(d) Thus, it is their similarities rather than their differences that appear most striking. All the participating governments at Bretton Woods agreed that the monetary chaos of the interwar period had yielded several valuable lessons. The experience of the Great Depression, when proliferation of foreign exchange controls and trade barriers led to economic disaster, was fresh on the minds of public officials. The planners at Bretton Woods hoped to avoid a repeat of the debacle of the 1930s, when foreign exchange controls undermined the international payments system that was the basis for world trade. Thus, for the international economy, planners at Bretton Woods all favored a liberal system, one that relied primarily on the market with the minimum of barriers to the flow of private trade and capital. Although they disagreed on the specific implementation of this liberal system, all agreed on an open system.

(2)(e) The architects of Bretton Woods had conceived of a system wherein exchange rate stability was a prime goal. Yet, in an era of more

activist economic policy, governments did not seriously consider permanently fixed rates on the model of the classical gold standard of the nineteenth century. Gold production was not even sufficient to meet the demands of growing international trade and investment. And a sizable share of the world's known gold reserves were located in the Soviet Union, which would later emerge as a Cold War rival to the United States and Western Europe.

The only currency strong enough to meet the rising demands for international liquidity was the US dollar. The strength of the US economy, the fixed relationship of the dollar to gold (\$35 an ounce), and the commitment of the U.S. government to convert dollars into gold at that price made the dollar as good as gold. In fact, the dollar was even better than gold: it earned interest and it was more flexible than gold.

The rules of Bretton Woods, set forth in the articles of agreement of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), provided for a system of fixed exchange rates. The rules further sought to encourage an open system by committing members to the convertibility of their respective currencies into other currencies and to free trade.

- (2)(f) What emerged was the "**pegged rate**" currency regime. Members were required to establish a parity of their national currencies in terms of gold (a "peg") and to maintain exchange rates within plus or minus 1% of parity (a "band") by intervening in their foreign exchange markets (that is, buying or selling dollars)
- (2)(g) All the solemn agreements between the capitalist nations however did not and could not build up a stable regime. Factors like the cold war, Vietnam war, the oil crisis, the massive trade deficit of US led to the collapse of the Bretton Wood system.
- (2)(h) By the early 1970s, as the Vietnam War accelerated inflation, the United States as a whole were running not just a balance of payments (on the current account) deficit, but also a trade deficit (for the first time in the twentieth century). The crucial turning point was 1970, which saw U.S. gold coverage deteriorate from 55% to 22%. This, in the view of neoclassical economists, represented the point where holders of the dollar had lost faith in the ability of the U.S. to cut budget and trade deficits. **The Department of Commerce estimates that U.S. industrial productivity grew at 3.2 percent in 1948-65, 2.4 percent in 1965-73, 1.1 percent in 1973-78, and 0.8 percent in 1978-80.**
- (2)(i) This resulted in gold becoming a floating asset, and in 1971 it reached \$44.20/ounce, in 1972 \$70.30/ounce and still climbing. By 1972, currencies began abandoning even this devalued peg against the dollar, though it took a decade for all of the industrialized nations to do so. **In February 1973 the Bretton Woods currency exchange markets closed, after a last-gasp devaluation of the dollar to \$44/ounce, and reopened in March in a floating currency regime.**

### **Third Phase of Globalization:**

No amount of solemn agreements can hide the true predatory nature of the Capitalist countries. Post Bretton Wood also saw several attempts to put the house in Order including the creation of the World Trade Organization (WTO) but Capitalism can only go from one crisis to another. The talk of no War, democracy, development etc have to be really seen the objectives of the Capitalist nations. Soviet Union in the post 2nd World War period posed as the major hurdle in the way of "Globalization" and the collapse of the Soviet Union around 1985 was heralded as the final end to the dream of the millions for an exploitation free world. The age of "free market" and rule of WTO had started. All trade tariffs were to be demolished and free access to all markets were to be guaranteed. **Thus begins the last phase of Globalization.**

In this phase, the Globalization had to be accompanied by liberalization and privatization since, in the second phase, the socialist distortions could not be fully corrected. LPG was therefore the motto which should lead to the complete establishment of the capitalist system all across the globe, hopefully without any further resistance to the exploitation!

But alas, the society does not develop as per the wishes of the ruling classes and the oil shocks of the 1970s that contributed to the collapse of the Bretton Wood system, had

more shocks in store for the American led Globalisation. The resistance from the Islamic rebels was brewing ever since the Americans were controlling the middle east oil in partnership with the ruling classes of the Arab world. The developments in Afghanistan of course precipitated the contradictions and made it the fountain head of revolt.

A battlefield for centuries, the Russians took over the governance of Afghanistan, in 1979. Afghan fighters saw this as an Islamic holy war and put up a fierce battle against the Red Army. The war attracted passionate support from Muslims all over the world, including Osama bin Laden. Ten years after the Russians invaded, the Afghans sent them packing in a humiliating defeat. They owed much of their success to billions of dollars in weapons supplied by the United States and to the fighting fervor of Muslim fundamentalists, who called themselves the Mujahidin, meaning "holy warriors" or "freedom fighters."

The Taliban, which means "religious students," came to the "rescue." At first, they seemed determined to stamp out corruption. But once they took control in 1996, it was a different story. They began to institute their own brand of government—under the guise of Islam—that was particularly repressive to women.

When these students came out of the religious schools in 1996, Osama bin Laden, the founder of Al Qaeda and an ally of the Americans in their proxy war against the Russians, was looking for a place to go. He was being expelled from the Sudan. Afghanistan under its new Taliban rule welcomed him. They formed a kind of partnership. He funded them, he helped their movement grow, he provided fighters for their civil war. ... As a result, they are both indebted and in need of him. This is a true partnership

Al-Qaeda's central goal is to act as a base, a kind of revolutionary vanguard, drawing as many as Muslims as possible into a broader jihadist tide of radical Islam.

This movement, they believe, would then drive the Americans from Muslim lands and overthrow governments like those of Pakistan and Saudi Arabia (which they see as propped up by the US) and lead the way for the unification of the umma - the Islamic community which would then follow what they see as a "pure" brand of Islam.

In September, 2001, the U.S. placed significant pressure on the Taliban to turn over bin Laden and al-Qaeda in response to the September 11, 2001, terrorist attacks. On October 7, after the Taliban refused to give up bin Laden, the U.S. began bombing Taliban military sites and aiding the Northern Alliance. By November 21, the Taliban had lost Kabul and by December 9 had been completely routed.

An interim government was agreed upon by representatives of Afghanistan's various factions during talks held in Bonn, Germany. On December 22, 2001, Hamid Karzai, an Afghan tribal leader, was sworn in as interim chairman of the government.

After the fall of the Talibans in Afghanistan, the Al Qaeda activities did not come to an end. In fact, Osama bin Laden was never found. The American state however panicky over the Islamic resistance to its hegemonic role in the process of globalization, is trying to convince the world that "terrorism" is the biggest enemy of the civilized world. Iraq being another centre of resistance, was ruthlessly destroyed and the head of a sovereign state, President Saddam Hussein being imprisoned in his own country by the Americans. The brutality of the American and British soldiers in Iraq would put to shame even the fascist leaders. In Faluja, the army used white phosphorus to kill and maim thousands of Iraqi who refused to surrender. Iran now has been identified as the next target of US.

The Breton Wood or the post Bretton Wood agreements did not therefore stop the predatory violence that is associated with the rule of the imperialist powers.

## **INDIA DURING THE THREE PHASES OF GLOBALISATION**

- (1) In the first phase, i.e. from 1600 to 1947, the Indian subcontinent has been either under the Mughal rule or the British rule. The last hundred year of the British rule completely ruined the development of the country as it was used primarily as a source of raw material. At the end of their rule, the Britishers left India with just about 5.8% industrial income and around 70 to 75% of agricultural income; the rest came from small scale and cottage industry. India was but a very poor under developed semi feudal country.

- (2) The second phase saw India experimenting with the public sector undertakings with the help of Soviet union trying to build its infra structural industries. By leading the non aligned movement, India was sending a confused message that it was going to chart out a path independent of the on going process of globalization.
- (3) In the third phase however, starting from about 1985 after the collapse of the soviet union, Indian ruling classes integrated itself within the global capitalist network. Strangely, it did gain in the bargain for an unusual reason. The all pervasive computer had brought about revolution of sorts in the division of labor and gave a midas touch to the common labor. A low investment machine that in conjunction with human labor could intensify the extraction of labor giving rise to high productivity and at the same time convert an ordinary labor into a highly skilled labor. The use of the computer in every possible sector increased the demand for the trained and computer skilled labor and the Indians with their good back ground in mathematics and English, did extremely well in adopting the computer. Thus started the revolutionisation of the service sector with the India companied leading the pack. Today, we have still 25-30% income coming from the traditional industrial sector but over 62% of the income coming from the service sector; the rest come from the agricultural sector (17 to 18%). Be that as it may, the Indian economy seems to have gather some boost and the ruling classes are losing no time to sing paeans for Globalzation. A little scrutiny would show that the claim of the Indian ruling class regarding the advantage of its integration with the global capitalism is totally hollow. The Indian economy does not contribute the value addition ( except in a few old sectors) but is actually helping the global players to substitute higher wage labor by the Indian lower wage labor. Outsourcing is being done to cut down the cost of production and increase the profit levels of the multinationals. The Agricultural production has infact become stagnant at the year 2000 level and this year India would be forced to import food grains. What ofcourse is most disappointing is that India has inherited all the rotten qualities of globalization.

(three karans)

### **The impact of Globalisation:**

- (1) Globalization, is nothing but the erstwhile imperialist forces in new garments. But their new garments cannot hide the spots of the predatory animals that they are.
- (2) Globalisation is as much an exploitative system as the old pre world war-2 imperialist system was.
- (3) Globalization has globalised oppression and is fundamentally an undemocratic system with all features of fascism. Globalisation is the dialectical opposite of the free capitalist system of the 18<sup>th</sup> century which had promised equality, fraternity and brotherhood.
- (4) In the era of Globalization, all democratic Institution would be systematically undermined and eliminated in the impending crisis. The Judiciary would be the first to succumb.
- (5) Globalization would be an era of acute violence leading to the death and destruction of civilians.
- (6) Anti globalization forces will rise all over the globe with the working people of the world uniting to overthrow the rule of globalization and establishing a genuine socialist society.