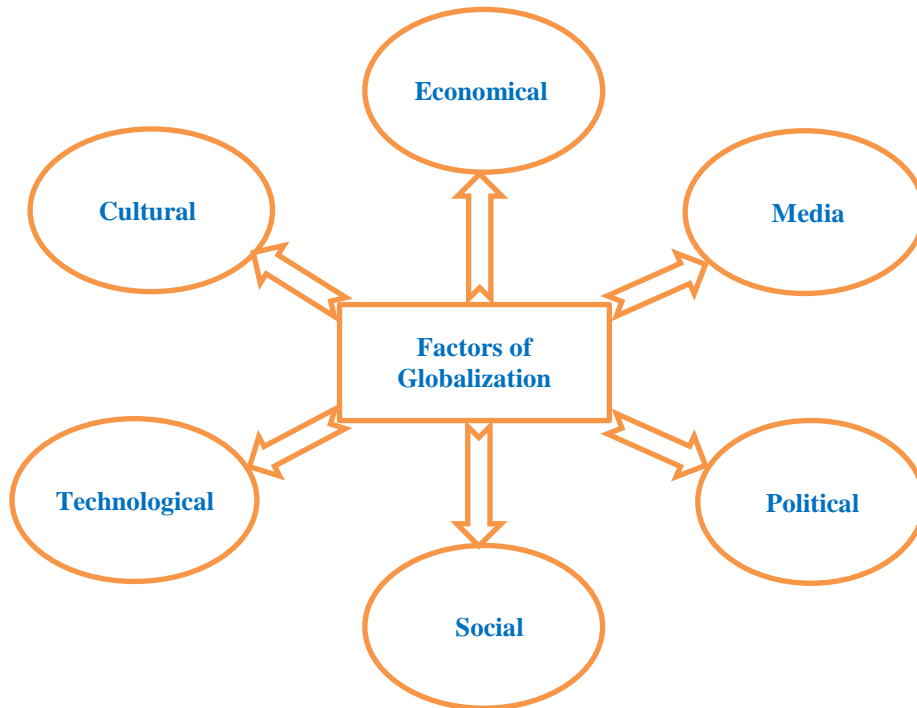


## Causes / Factors of Globalization



Globalisation is not a new phenomenon. The world economy has become increasingly interdependent for a long time. However, in recent decades the process of globalisation has accelerated; this is due to a variety of factors, but important ones include improved trade, increased labour and capital mobility and improved technology.

### **Main reasons that have caused Globalisation**

#### **1. Improved technology**

The improvement in technology has made it easier to communicate and share information around the world. It has helped communities to interact with each other in a very efficient manner. By reducing the cost of transmitting and communicating information – sometimes known as “the death of distance” – a key factor behind trade in knowledge products using web technology.

The technological revolution the world has witnessed in the last two decades is overwhelming. Development has immensely influenced world trade, societies and cultures by bridging space and time. IT has revolutionised the way the business goes. E-money, e-banking, online shopping, B2B business, B2C business and internet have added to speed up globalisation. Buying and selling of stocks, goods & services, and transfer of funds can take place now instantly.

Internet has enabled firms and corporations to communicate on a global level, this may overcome managerial diseconomies of scale. The firm may be able to get cheaper supplies by dealing with a wider choice of firms. Consumers are also able to order more goods online e.g. Dell Computers takes orders online and can meet customer specification.

## **2. Containerisation:**

From 1970, there was a rapid adoption of the steel transport container. This reduced the costs of inter-modal transport, making trade cheaper and more efficient. The costs of ocean shipping have come down, due to containerization, bulk shipping, and other efficiencies. The lower cost of shipping products around the global economy helps to bring prices in the country of manufacture closer to prices in the export market, and makes markets more contestable in an international sense. So this has also led to increased trade across borders resulting in global connections.

## **3. Growth of Multinational Companies (MNCs) :**

A multinational company generally has offices and/or factories in different countries and a centralized head office where they coordinate global management. These companies, also known as international, stateless, or transnational corporate organizations tend to have budgets that exceed those of many small countries.

The growth of MNCs with a global presence in many different economies has resulted in increased globalization.

## **4. Growth of global trading blocks and reduced Tariff Barriers:**

With the increase in trade over time various global trading blocks emerged to regulate, facilitate and monitor trade among nations. The examples of these are World Trade Organization (WTO), European Union (EU), NAFTA, ASEAN etc. Growth of these blocks has resulted in reduced tariff barriers which encourage global trade and flow of goods across borders. Often this has occurred through the support of the WTO.

## **5. Financial System Increasingly Global in Nature:**

With the creation of United Nations many financial institutions have also developed overtime like World Bank (WB), International Monetary Fund (IMF), Asian Development Bank (ADB) etc. Majority of the developing nation seek financial assistance from these institutions to meet their budgetary requirements. So this has lead dependence of developing nations on the developed nations. This has included the removal of capital controls in many countries facilitating foreign direct investment (FDI).

In addition to this the banking sector is being interconnected internationally so the effects of any major change occur across various countries e.g. When US banks suffered losses due to the mortgage crisis, it affected all major banks in other countries who had bought financial derivatives from US banks and mortgage companies.

## **6. Improved Mobility of Capital:**

In the past few decades, there has been a general reduction in capital barriers, making it easier for capital to flow between different economies. This has increased the ability for firms to receive finance. It has also increased the global interconnectedness of global financial markets.

## **7. Development of Trade Routes and Improved Means of Transport:**

The trade routes were made over the years so that goods from one kingdom or country moved to another. The Silk Road is the most famous ancient trade route, linking the major ancient civilizations of China and the Roman Empire. Recent examples are One Belt one Road Project (OBOR), China Pakistan Economic Corridor (CPEC) etc.

Further, improved means of transport has made global travel easier. For example, there has been a rapid growth in air travel, enabling greater movement of people and goods across the globe.

## **8. Increase in Population and Growing Customer Pressure**

With the increase in population the economies were overburdened by the customer pressure so they had to resort to trading with other nations to fulfill the need of customers. On the other hand the major MNCs and corporations required more customers to sell the goods and services across borders so interaction took place at a greater pace.

## **9. 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.

## **10. Growth of Global Media**

The mass media are today seen as playing a key role in enhancing globalization, and facilitating cultural exchange and multiple flows of information and images between countries through international news broadcasts, television programming, new technologies, film, and music.

This has also created Global mass Media which refers to the access, dissemination, receipt, and exchange of information on a worldwide scale. This has enhanced the socio-economic interactions among nations.

## **11. Increased mobility of labour:**

People are more willing to move between different countries in search for work. This not only affects the economic factors but also results in socio-cultural changes as the workers bring new knowledge, traditions, cultures along with them.

## **12. Changing political situations:**

The political issues of a country make globalisation channelised as per political bosses. The regional trade understandings or agreements determine the scope of globalization. Trading in European Union and special agreement in the erstwhile Soviet block and SAARC are examples. The development and growing influence of international organizations such as the UN or WHO means governmental action takes place at an international level. The

countries need international support on various issues which has resulted in increased globalization.

### **13. Colonialism:**

According to some analysts Globalization is a form of colonialism. Colonialism is the policy of a country seeking to extend or retain its authority over other people or territories, generally with the aim of economic dominance. In the process of colonisation, colonisers may impose their religion, language, economics, and other cultural practices on indigenous peoples. Colonialism in America, Africa and Indian subcontinents impacted the societies socially, politically and economically both positively and negatively. So this may be a factor for globalization.