MANAGEMENT REVIEW

Globalization: Development of International Political economy & emerging Economic Giants (BRIC & SANE)

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Abstract

This paper deals with radical changes happening worldwide to bring developments in international trade. Major eras of globalization led to the generation of complex interdependence and integration of world economies. The emergence of International Political Economy (IPE) as a major subfield of study international trade relations. Major economies are classified as economic or trade Blocs in order to bring up new reforms in the trade affairs. Regionalism and Protectionism are tool drivers to boost up the developments in trade associations. Every country has to develop its comparative advantage in its products and trade them with other members. Trade unions and economic blocs foresee strategic approach to the challenges and opportunities era of globalization. Out of BRIC nations India & China are emerged as Economic Giants and market leaders.

Keywords

Globalization, Regionalism, Economic Blocs, Eras of globalization

Introduction

Globalization is concerned as most accomplished facts, highlights a series of interrelated changes that may have generated a set of new conditions. Assuming range of transformational process Globalization mainly focuses upon the sources and the consequences of change. The change has also led to increased circulation of idea and people to new perception of the role of government and to heightened expectations from the poor as they become more exposed to developments elsewhere in the world. Governments in order to develop the social platform across the national boundaries includes flow of goods, capital, information technology and people across national border as rightly discussed by Chow (2005) on the impact of globalization. The problem of studying change, however is it very ubiquity within modern world. Indeed, modernity is marked, if not defined, by general expectation of constant change in many of the basic conditions of human existence. The study of change also highlights central theoretical, ontological and methodological issues in study of international affairs. The characteristics process and conditions of globalizations can be seen as instances of timeless and universal properties of human conditions, or as the peculiar creations of highly specific combinations of interest, outlook and technical possibility. In particular, the future of globalization is driven by impersonal, structural conditions, by universal human imperatives or by the voluntary agency of human beings acting individually.

Since the emergence of international political economy (IPE) as a major subfield of the study of International relations in the early 1970s. IPE scholars have generated an enormous literature that has been the outcome of the employment of a wide variety of Theories and methods. Most introductions to the study of IPE have divided the theoretical approaches to the subject into three categories:

liberalism, nationalism, and Marxism. This threefold typology is of limited utility today, given the overlap between many of the approaches classified in different categories, and the wealth theories and methodologies applied in the contemporary study of global political economy.

The basic objectives of this paper deals with are:-

1. To discuss phases of globalization.
2. Influence of globalization on developed and developing economies.
3. To discuss trade blocs and emerging Trade blocs BRIC & SANE.

Study Method

The methodological approach to this paper is based on reviews of multiple documents including various articles through journals and also which are available online. As the topic was scorching in last few years so abundance of literature are available but on aftereffects on Indian economy is still in progress. To make this paper more relevant, have tried to add literature in this reference for that some available published and unpublished articles as much as possible have been reviewed.

Background (Phases of Globalization)

Over the last three decades the sheer scale and scope of global interconnectedness has become increasingly evident in every sphere, from the economic to the cultural. Worldwide economic integration has intensified as the expansion of global commerce , finance and production binds together the economic fortunes of nations, communities and households across the world's major trading regions and beyond within an emerging global market economy. As a credit crunch of 2008 illustrates, the integration of the world economy is such that no national economy is able to insulate itself from the contagion effect of turmoil in the world's financial markets.As we live in a globalizing economy that differs in some fundamental ways from anything that the world has previously experienced. Following section briefly sketches how the world economy evolved to reach its present state.

World Economy Pre-1914

The modern world economy, most economists believe came into existence in the late fifteenth and sixteenth centuries. This was a period in which tyrannical monarchs in Western Europe, seeking to consolidate their power against both internal and external foes, pushed to extend the boundaries of markets. In this era of mercantilism, political power was equated with wealth and wealth with power. Gradually, most parts of the world were enmeshed in a Eurocentric economy, as supplies of raw materials and luxury goods. Early European industrializes trade with their colonies dominions or with the other lands of recent European settlement such as Argentina, Australia, Canada, and India together than by the United States.

In the late 18th century wars and trade with China, had little use of European goods drained silver from the economies of the Western Europe and the United states. In 1857 the final crisis of the free banking era of international finance began, as American banks suspended payment in silver, rippling through the very young international financial system of central banks. In the United States this collapse was a contributory factor in the American Civil War, and in 1861 the US government suspended payment in gold and silver, effectively ending the attempts to form a silver standard basis for the dollar. Through the 1860–1871 period, various attempts to resurrect bi-metallic standards were made, including one based on the gold and silver franc; however, with the rapid influx of silver from new deposits, the expectation of scarcity of silver ended.

The interaction between central banking and currency basis formed the primary source of monetary instability during this period. The combination that produced economic stability was a restriction of supply of new notes, a government monopoly on the issuance of notes directly and, indirectly, a central bank and a single unit of value. Attempts to avoid these conditions produced periodic monetary crises: as notes devalued; or silver ceased to circulate as a store of value; or there was a depression as governments, demanding specie as payment, drained the circulating medium out of the economy. At the same time, there was a dramatically expanded need for credit, and large banks were being chartered in various states, including, by 1872, Japan. The need for a solid basis in monetary affairs would produce a rapid acceptance of the gold standard in the period that followed.

Thus major points of this era were; firstly, despite the significant changes that occurred in the three centuries before the outbreak of the first World War, the fundamental composition and direction of international trade remained unchanged. Secondly, neither in the field of trade nor of finance was any significant international institution constructed in the years before 1914. Thirdly, advances in technology were the main driving force behind the integration of markets, and they facilitated the enormous growth in investment and migration in the nineteenth century. Lastly great merit of gold standard was introduced to provide certainty for international transactions because it largely removed the risk of foreign exchange losses.

World Economy from 1914-1945

The outbreak of the First World War was a devastating blow to cosmopolitan liberalism: it destroyed the credibility of the liberal argument that economic interdependence in itself would be sufficient to foster an era of peaceful coexistence among states. The war brought to an end an era of unprecedented economic interdependence among the leading industrial countries. The war devastated the economies of Europe: subsequent political instability compounded economic disruptions. Economic reconstruction was further complicated by demands that Germany make reparations for its aggression and that Britain and other European countries repay their wartime borrowings from the United States.

The international gold standard broke down with the outbreak of war in August 1914, when a speculative attack on sterling caused by Bank of England to impose exchange controls- a refusal to convert sterling into gold and de facto ban on gold exports. Leading countries agreed to reinstate modified version of the international gold standard in 1925 but failed to act consistently. The resulting misalignment of currencies was compounded by higher

trade barriers than had existed before1914, the absence of a country bank with the resources and the will to provide leadership to the system and by a failure of central banks to play by the rules of the gold standard.

By then, the World Economy was in 'Great Depression', following the shocks to the world economy transmitted from the United States after the Wall Street collapsed in October 1929. The gold standard almost certainly worsened by the effects of the depression. Thus states did not negotiate any significant institutionalization of international economic relations in the inter-war period which could work out significant in reestablishments of disarrayed economies.

World Economy 1945-1990

The world economy that emerged after the Second World War was qualitatively different from anything experienced before. Compromise were made between the governments after 1945 for safeguarding their domestic economic objectives, especially a commitment to maintaining full employment on the one hand and an opening up of the domestic economy to allow for the restoration of the international trade and investment. The adoption of the principle of embedded liberalism was recognition by governments that international economic collaboration rested on their capacity to maintain domestic political consensus and that international economic collaboration was fundamentally a political bargain.

The commitment to multilateralism that developed in the late 1930s and during the Second World War bore immediate fruit in the founding of the Bretton woods system of monetary management were established the rules for commercial and financial relations between the countries. Multilateral financial institutions: International Monetary Fund and World Bank were also established to achieve the development of international trade. The unprecedented rates of economic growth achieved in the years after 1945 attest to the success of the pursuit of multilateral economic collaboration in this period. Global GDP grew at close to 5 per cent in the period 1950-73. Aggregates rates of growth, however, disguised substantial variations across different regions of the world economy. The gap between rich and poor widened substantially. By the third quarter of the 19th century, however, a marked gap had developed between incomes per capita in the United states and Western Europe on the one hand, and those of the world. Per capita incomes in Africa and in most parts of Asia stagnated. Despite the economic turmoil and slower rates of growth of the inter war years, the absolute gap between the industrialized economies and the rest of the world continued to widen: the divergence increased rapidly in the post 1945 era.

World Economy 1991 onwards

Apart from the development of trade affairs of European countries and United States, significant changes were seen, only a handful of Previously Less Developed Countries (LDC) mostly in east Asia made progress in closing gap of the difference created by the First world countries.

After the liberalization of the economy of India, the Indian economy coupled with the Chinese economy to power Asia into being one of the hotspots for world trade. The Chinese economy was already booming under the economic measures undertaken by Deng Xiaoping, in the 1980s, and continuing under Jiang Zemin in the 1990s. In 2007, China's economic growth rate exceeded 11% while India's growth rate increased to around 9%. One of the factors was the sheer size of the population in this region. Surprisingly, this size of population was considered as biggest reason for lack of growth of economy by both governments earlier and both countries have taken strong population control measures to improve their economy.

Meanwhile, South Korea, Taiwan, Hong Kong and Singapore emerged as the Four Asian Tigers with their GDPs growing well above 7% per year in the 1980s and the 90s. Their economies were mainly driven by growing exports. The Philippines only began to open up its stagnated economy in the early 1990s. Vietnam's economy began to grow in 1995, shortly after the United States and Vietnam restored economic and political ties.

Throughout the 1990s, the manufacturing ability and cheap labor markets in Asian developing nations allowed companies to establish themselves in many of the industries previously dominated by companies from developed nations. Asia became one of the largest sources of automobiles, machinery, audio equipment and other electronics.

At the end of 1997, Thailand was hit by currency speculators, and the value of the Baht along with its annual growth rate fell dramatically. Soon after, the crisis spread to Indonesia, Malaysia, South Korea, Hong Kong, Singapore and many other Asian economies, resulting in great economic damage on the affected countries (Japan largely escaped the crisis). In fact, some of the economies, most notably those of Thailand, Indonesia, and South Korea actually contracted. This later would be known as the Asian financial crisis. By 1999, most countries had already recovered from the crisis.

With emerged as Giants; India and China clearly continued to grow strongly after the Great Recession as first most important reasons was the great economic success experienced by the region itself. The underlying reasons were cultural, others that it was directly economic (cheap labor plus plentiful capital) and few that it was a derivative of the application of a non- liberal model of development employing the strong state to drive through rapid economic development. Secondly, many states in East Asia might have powerful memories of past conflicts; these were beginning to be overridden in the 1990s by a growth in regional trade and investment. The process of East Asia economic integration was slow to develop (ASEAN was formed only in 1967). However, once regionalism began to take off during the 1990s, it showed no signs of slowing down. Thirdly, optimistic virtue of Japanese was instrument of development with once skeptical neighbors. In the end, though all strategic roads in China lead to the one state whose presence in the region remains critical i.e. USA. China has already changed terms of debate and in some time to come China will be rising capitalist power playing by the rules of the market may turn out to be problem to west.

With the brief discussions about eras of globalization various dimension of globalized economies emerge, and

growing interdependence of countries. Further these changes through the centuries would be discussed and also significance of regional integration to in the development of international trade affairs.

Economies classified as trade blocs

For the global economy fully benefit from trade there has to be liberal (free) trade system. Each country can produce what it has a competitive advantage at producing and trade its products with other countries. But there has been a history of protectionism in the global economy. Restrictions, import quotas, duties, trade tariffs, non tariff barriers, subsidies etc. all of these limit the flow of traded goods and services. This has the effect of reducing the volume of trade and therefore any benefits that trade can bring. If a country attempts to protect its economy often other countries will impose protectionist policies on that countries goods and services thereby negating the benefits of protectionism.

With the emphatic change in the global scenario most of the countries have been led to regionalism. Regional trading blocs can reduce barriers between member countries but often maintain and increase restrictions and protectionism against non- member countries. Global trade is becoming dominated by the power of the regional trading Blocs. By this, it is meant to say that they are forming blocs or institutions in order to bring more developments in their trade affairs. Fao rightly classifies Some regional groupings have either market (EU) or command (China) or mixed economies (former communist countries), The Preferential Trade Area (PTA) and The Southern African Development Community (SADC). With these developments, free trade zones have occurred (all internal barriers abolished) economic unions (the EU). The major regional economic organizations are: Association of South East Nations (ASEAN), Asian Pacific Rim countries (APC), Caribbean Community and Common Market (CARICOM), Council of Arab Economic Unity, Economic Community of West African States (ECOWAS), the European Union (EU), Latin American Integration Association, Preferential Trade Area (PTA) and the Southern African Development Conference (SADC). Of these blocs, the EU (reporting 33% of world trade) and EFTA are very important. To counteract the growing power of the EU, the USA and Canada have entered into an agreement with Mexico as a willing partner and created the North American Free Trade Agreement (NAFTA).

These blocs are of various form, power, influence and success. ASEAN is a collaboration of industry and agriculture, PTA in tariffs. SADC and PTA have had historically little impact but are now beginning to grow in importance in view of the normalization of South Africa. The EU, North American Union and the Pacific Rim Union will pose the greatest power blocs in future years. Many developing countries have entered into trading blocs as a reaction against loss of developed country markets or as a base to build economic integration and markets.

The development of trading blocs can bring headaches and advantages to trade. It is worth comparing the European Union, a relatively well developed bloc, with SADC and the PTA which are well developed.

With the help of Regionalism many developing countries such as Brazil, Russia, India and China have changed their political systems to embrace global Capitalism. Goldman Sachs predicts that China and India, respectively, will become the dominant global suppliers of manufactured goods and services, while Brazil and Russia will become similarly dominant as suppliers of raw materials. It should be noted that of the four countries, Brazil remains the only nation that has the capacity to continue all elements, meaning manufacturing, services, and resource supplying simultaneously. Cooperation is thus hypothesized to be a logical next step among the BRICs because Brazil and Russia together form the logical commodity suppliers to India and China. Thus, the BRICs have the potential to form a powerful economic bloc to the exclusion of the modern-day states currently of "Group Of Eight" status. Brazil is dominant in soy and iron ore while Russia has enormous supplies of oil and natural gas. Similarly India And China has actively showing much interest in African trade and thus developing on their part to develop their trade relations with African countries (SANE economies).

Contribution of BRIC Giants (India & China) to IPE

When a Goldman Sachs' study predicted in 2001 that the BRIC—Brazil, Russia, India and China—would emerge as a major economic force by 2050, few could have dreamt that these economies would play a transformational role on the world stage just a decade after the study was published. In these 10 years, not only have the four economies, the largest outside the Organisation for Economic Cooperation and Development (OECD), become powerhouses providing much of the dynamism to the global economy, they are also lending their voices for reforming global institutions to make them more democratic. Grouping the four, however, obscures a simple fact: while the rise of China and India represents a real shift in the power balance, Russia and Brazil are marginal economies propped up by high commodity prices. This difference has profound implications. The fundamental difference between China and India on one hand and Russia and Brazil on the other is that the former are competing with the west for "intellectual capital" by seeking to build top-notch universities, investing in high, value-added and technologically intensive industries and utilizing successful diasporas to generate entrepreneurial activity in the mother country. Chinese officials, for example, are committed to developing 100 world-class universities, with a focus on science and engineering; India boasts one of the most dynamic information technology sectors outside the US. Both countries have seen the creation of a large number of small and medium-sized businesses that compete successfully (and sometimes dominate) in global markets. China is in the process of developing a world-class infrastructure that strengthens its competitive position; India's government has promised to do the same. Both face challenges but they are taking the steps necessary to generate sustainable economic growth. These issues will determine how well the west does with respect to the emerging markets that pose a true challenge to western leadership - China and India. There is no question that the so-called BRIC countries are large,

emerging market economies that are shaping the economic and geopolitical order.

Contribution of SANE Economies to IPE

Africa is a continent of 53 countries, with a vast area of nearly 30 millions square kilometers and is the second most populated region in the world with about 930 million inhabitants. Within this region, the four biggest economies, South Africa, Algeria, Nigeria and Egypt, the so-called SANE, could become an engine of the economic growth in the continent in the same way that the emerging market giant economies of BRIC (Brazil, Russia, India and China) are for the rest of developing world. SANE economies account for almost a fifth and a third of Africa's land mass and population respectively, more than half of its total GDP in both nominal and purchasing power parity terms and more than half of its export, total trade, foreign direct investment and foreign reserves. The SANE area benefits by different comparative advantage factors such as geographical location, resource endowment, market size and large participation of the private sector in the economy, which makes these economies a growth pole for the regional economic prosperity and integration into the international market. If one considers geographical location, all of the SANE economies are situated in strategic positions within Africa. They are all coastal states and therefore enjoy a comparative advantage with respect to landlocked African countries, which facilitates the access to international market and reduces the trade costs. Moreover, their economies are blessed with huge natural resources: Nigeria, Algeria and Egypt are among the greatest producers of petroleum products and natural gas, while South Africa is one of the world leading exporters of minerals. Finally, the market size in these economies is relatively developed due to their higher GDP per capita and higher population with respect to the rest of the continent, which can stimulate the internal market. Furthermore, the higher active participation of the private sector into the economy, such as the greater amount of FDI, makes the structure of SANE better diversified relative to the rest of the continent.

These countries have also experienced a changing policy towards an open-market economy and a number of attempts of privatization and trade liberalization reforms have been implemented since early 1990s, after decades in which industrialization, viewed as the engine of long run growth, was thought to be attainable through import substitution strategies. The growth performance and the pattern of reforms in SANE area reflect the evolution of Africa over the last three decades. All the economies of the group experienced a significant shift from the import-substitution policy to the pro-market reforms. During the 1960s, apart from South Africa the SANE economies opted for reducing their dependence on imports from developed countries and for diversifying their productive structure by establishing highly restrictive trade policies.

Table 1 :**Economic Indicators for the SANE and BRIC Nations**

Economies	Population (millions)	Nominal GDP (US$ Billions)	GDP per capita (US$)	FDI (US$ millions)
South Africa	48	240	5,100	6,379
Algeria	33	102	3,086	1,081
Nigeria	134	99	678	3,403
Egypt	75	93	1,315	5,376
SANE total	290	534	10,178	16,239
SANE average per capita income			1,841	
Brazil	184	792	4,315	15,066
Russia	143	763	5,348	14,600
India	1,094	775	714	6,598
China	1,308	2,225	1,703	72,406
BRIC total	2,729	4,555	12,080	108,270
BRIC average per capita income			1,669	

Source: FDI data are from UNCTAD Database, http://stats.unctad.org/FDI. The rest of the data are from IMF World Outlook Database, September 2006.

In the given table as group SANE economies are comparatively better with global emerging economies. As a group, SANE compares relatively well with global emerging economies that make up BRIC. The average per capita income in 2005 was higher in the SANE economies (US$1,841) than in the BRIC economies (US$1,669). Although the population of the SANE is about 26 percent of India's population, the nominal GDP of the SANE represents 70 percent of

India's GDP. The SANE's population and GDP are 22 percent and 24 percent of China's population and nominal GDP, respectively. In 2005 SANE attracted US$16.2 billion worth of foreign direct investment (FDI), which was two and half times the FDI to India. FDI

to the SANE as a group were also higher than FDI to Brazil or Russia. The concept of growth suggests that economic development is not uniform over an entire region, but instead takes place around a specific region such as a key industry or country. Both directly and indirectly,

Industries or countries that are linked then develop around this region.(Kasekende, Louis A.)

Source: World Economic Forum, 2006.

The Table describes measure and ranking of national competitiveness with the Global Competitiveness Index (GCI) which World Forum provides. The GCI measures both the macroeconomic and microeconomic drivers of productivity including institutions, policies, and structural factors across a large number of countries. The GCI also takes into account the various factors affecting productivity and competitiveness in countries at different stages of development. Thus, the GCI separates countries into three specific stages: factor-driven, efficiency-driven, and innovation-driven. This section discusses the structure and performance of the SANE economies and their competitiveness in the global economy. The section reviews the drivers of recent economic performance and examines the sustainability of improved economic growth by looking at the structure of these economies and their stages of development, which in turn has an impact on their productivity and competitiveness. (Kasekende, Louis)

The structure and performance of the SANE economies shows that all four have experienced strong economic growth within the last few years. However, with the exception of Brazil, economic growth rates were much higher in BRIC than in the SANE economies. It also shows that oil is vital to the economies of three SANE countries: Algeria, Nigeria, and Egypt. The contribution of the oil sector to South Africa's economy is relatively low because of the dominance of the financial and manufacturing sectors in gross national output. Unlike Algeria, Nigeria, and Egypt, the structure of the South African economy is relatively diverse, enabling several sectors to contribute substantially to GDP. Comparable to that of China and India—the economies of the SANE countries depend significantly on natural resources and low labor cost to compete in the global economy. But they also require strong institutions, adequate infrastructure, a stable macroeconomic environment, and sufficiently high human development indicators to raise productivity.

The SANE economies have the size and the scale to be drivers of Africa's economic growth, regional economic cooperation, and integration into the global economy. However, the SANE economies would need to address key obstacles to competitiveness and investment climate before their potentials in both the regional and global economies can be fully realized.

Effects

Effects of globalization on World

Globalization is a historical process. It envisages a vision of a world without borders. As stated in early paragraphs Sumit Roy(2006) added that being rooted in the pre-colonial and colonial era, marked by rivalries between national powers, the contemporary phase of globalization is driven by information and communication technology and reduced transportation costs. It has reshaped flows (trade and finance), collective security, and labor movements. Pro-globalization proponents see the globalization process is turning into a destructive tsunami that wrecks the already low standard of living of vulnerable households. Despite the worldwide passionate debate about the impact of globalization on the world's poor, there are very few studies which have systematically examined the various transmission mechanisms through which globalization ultimately affects the poor within different specific contents.

The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organisations have started in many of the developing countries. Also Globalisation has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. But globalisation has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalisation is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalisation of the developing economy was constrained by the barriers to trade and investment. Liberalisation of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalisation.

From an economic perspective, the primary engine that is driving the complex effects of Globalization on trade is liberalization. Globalization emphasizes that trading among Member countries should open up their markets and that trade in goods and services should be "borderless". A significant part of the world and a large numbers of countries are now effectively participating in the processes of integration and globalization. In this regard globalization may be thought of as the integration of economies through trade, capital flows and information technology. A key assumption underlying the trade liberalization drive is that once markets are free from trade restrictions, factors of production will be directed by the unrestricted forces of demand and supply, leading to efficient investment by producers.

Influence on developing countries

Developing economies' financial linkages with the global economy have risen significantly in recent decades. However, a relatively small group of these countries has foregathered a lion's share of private capital flows from industrial to developing countries, which surged in the 1990s. Despite the recent sharp reversals in such "North-South" capital flows, various structural forces are likely to lead to a revival of these flows, and to continued financial globalization, over the medium and long term. Theoretical models have identified a number of channels through which international financial integration can promote economic growth in developing countries. There is some evidence of a "threshold effect" in the relationship between financial globalization and economic growth. The beneficial effects of financial globalization are more likely to be detected when the developing countries have a certain amount of absorptive capacity. International financial integration should, in principle, also help countries to reduce macroeconomic volatility. The available evidence suggests that developing countries have not fully attained this potential benefit. Indeed, the process of capital account liberalization appears to have been accompanied in some cases by increased vulnerability to crises. Globalization has heightened these risks since cross-country financial linkages amplify the effects of various shocks and transmit them more quickly across national borders.

Invariably, the capacity of developing nations to cope with globalization may reveal acute differences. In this respect, there is increasing reliance on China and India, due to their economic performance, of accelerating globalization and benefiting developing countries. The realism of this hope rests on the nature of interaction of these two nations with the world and their pursuit of strategic globalization. Liberalization policies have enhanced the economic powers of both nations. China moreover, as a recent member of the World Trade Organization (2001) could firmly influence global trade negotiations, possibly joining forces with India and Champion the rights of poor nations. Their combined efforts could pressurize the developed nations to fulfill their promise of opening up their markets to developing country agricultural and non agricultural exports.

Given the increasing global interest in Africa, more and more Indian & Chinese companies are looking at expanding their presence in Africa. More and more both the countries are looking at expanding their presence in Africa, in order to ensure that they do not lose strategic advantage to their foreign counterparts.

As the present study amply documents, African economies are affected differentially by the

competitiveness and growth of Asia. In some cases, there may be complementary effects, as producers benefit from the demand for their outputs from Asia. China and other countries may even want to secure raw materials and improve export infrastructure in selected African countries and offer project finance, FDI and other forms of trade-linked capital flows. In other cases, interests may be competitive rather than mutual.

With the integration of China and India – the "Asian Drivers" – in the world economy gaining momentum, it is ever more manifest that economy and polity in poor countries will be affected in various, complex ways. The sheer size of the Asian Drivers, their phenomenal rate of growth, their hunger for natural resources, and their growing economic and political power ensure that they will re-shape the world economy and influence the rules of the game. Their growing presence is likely to transform past relationships in a number of key respects, providing both competition and opportunities not just to the major trading partners in OECD countries,

but also to developing countries and other emerging economies(SANE). Therefore, innovative policy responses to the Asian Drivers have to be devised. And they will be needed for the long term, as the giants' rise is unlikely to be only transient.

Impacts of Globalization

Globalization compels businesses to adapt to different strategies based on new ideological trends that try to balance rights and interests of both the individual and the community as a whole. This change enables businesses to compete worldwide and also signifies a dramatic change for business leaders, labor and management by legitimately accepting the participation of workers and government in developing and implementing company policies and strategies. Risk reduction via diversification can be accomplished through company involvement with international financial institutions and partnering with both local and multinational businesses.

In theory, financial globalization can help developing countries to better manage output and consumption volatility. Indeed, a variety of theories implies that the volatility of consumption relative to that of output should go down as the degree of financial integration increases; the essence of global financial diversification is that a country is able to offload some of its income risk in world markets. Since most developing countries are rather specialized in their output and factor endowment structures, they can, in theory, obtain even bigger gains than developed countries through international consumption risk sharing, that is by effectively selling off a stake in their domestic output in return for a stake in global output.

Beneficial Effects

Some economists have a positive outlook regarding the net effects of globalization on economic growth. These

effects have been analyzed over the years by several studies attempting to measure the impact of globalization on various nations' economies using variables such as trade, capital flows and their openness, GDP per capita, foreign direct investment (FDI) and more. These studies examined the effects of several components of globalization on growth using time series cross sectional data on trade, FDI and portfolio investment. Although they provide an analysis of individual components of globalization on economic growth, some of the results are inconclusive or even contradictory.

Firstly Trade among nations via the use of comparative advantage promotes growth, which is attributed to a strong correlation between the openness to trade flows and the affect on economic growth and economic performance. Additionally there is a strong positive relation between capital flows and their impact on economic growth. Secondly, Foreign Direct Investment's impact on economic growth has had a positive growth effect in wealthy countries and an increase in trade and FDI resulted in higher growth rates. Further evidence indicates that there is a positive growth-effect in countries which are sufficiently rich as are most of the developed nations. Thirdly, increased media coverage draws the attention of the world to human right violations. This leads to improvement in human rights.

Harmful Effects

Non-economists and the wide public expect the costs associated with globalization to outweigh the benefits, especially in the short-run. Less wealthy countries from those among the industrialized nations may not have the same highly-accentuated beneficial effect from globalization as more wealthy countries measured by GDP per capita etc. Free trade, although increases opportunities for international trade, it also increases the risk of failure for smaller companies that cannot compete globally. The World Bank reports that integration with global capital markets can lead to disastrous effects without sound domestic financial systems in place. Furthermore globalized countries have lower increases in government outlays, as well as taxes, and lower levels of corruption in their governments. One of the potential benefits of globalization is to provide opportunities for reducing macroeconomic volatility on output and consumption via diversification of risk. Additionally it may drive up production and labor costs including higher wages for more skilled workforce. Domestic industries in some countries may be endangered due to comparative or absolute advantage of other countries in specific industries. Another possible danger and harmful effect is the overuse and abuse of natural resources to meet the new higher demand in the production of goods. The increase in prices has reduced the government's ability to sustain social welfare schemes in developed countries. And the last thing which describes globalization in one statement is that rich are getting richer and poor are becoming poorer. Thus the effect of globalization is not universal.

Conclusion

As of Globalization, even its economic aspects have many dimensions. It embraces trade and a long term device 'foreign investment' by multinationals as well as flows of short term portfolio capital whose rapidity and size have caused havoc in places ranging from Beijing to Cario. But it also should include now sizeable acquisitions legal and often illegal across borders. And it extends o the diffusion and transfer of technology among producing and consuming nations. Global production requires certain stability in politics and finance in order to expand. Global finance has the upper hand because its power over credit creation determines the future of production; but global finance is in a fragile condition. Many international bodies are formed in order to gel up these trades and also smoothing of financing system such as G8, BRIC, OCED, etc. Still lot of work has to be done on their part as making a secure scheme of regulation of global finance that could counter various global collapses. Thus there is a transnational process of consensus formation among the official caretakers of the global economy. This process generates consensual guidelines, underpinned by an ideology of globalization, that are transmitted into the policy- making channels of national governments and big corporations.

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