The Uneven Fallouts of Globalisation

What is the issue?

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- Globalisation thrives on establishment of trade circuits worldwide.
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- As different regions are placed at different levels within circuits, the impact of globalisation isn't uniform throughout the world.
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- Our policy makers need to become sensitive to this obvious structure of globalisation, when they plan infrastructure projects.
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How has globalisation unfolded over the years?

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- **Initially -** In the early 90s, when many economies were opening up their markets worldwide, there was a sense of euphoria about globalisation.
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- It was seen as a process that would collectively benefit all due to the "economics of scale, access to diverse products and cost effective markets".
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- It was believed that the communication lines that are opening up would lead to synchronisation of living conditions across the world.
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- **Reality -** The idea of an interconnected harmonious evolution of equally poised global village has withered greatly over time.
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- Part of the ploy was lost due to a spike in economic inequalities between countries and between people within a country.
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- Technology has indeed opened communication lines, but that hasn't necessarily lead to establishment of significant interconnectedness.
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- In reality, globalisation is more about specific circuits that are enabled by technology but are realised for economic and political purposes.
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How does globalisation impact different areas differently?

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- Globalisation as concept inherently can’t be even worldwide.
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- **What -** Globalisation works through the establishments of trade circuits worldwide, a trend that has intensified with better communication technology.
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- The impact of globalisation on a city depends on which end of the trade circuit it finds itself in – namely commander or supplier.
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- The city that commands and controls a circuit faces very different conditions from the city that merely supplies resources on command.
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- **Examples -** Garment industry is a typical example, where command structures are located in developed countries, catering to fashion needs there.
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- Garment suppliers are usually based out of emerging market economies that primarily shell out cheap underpaid labour to the west.
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- The Information Technology (IT) industry too is similarly dispersed worldwide to satiate the demands of the western world.
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- **Fallouts -** In such relationships, the former usually thrives with a rich outlook, while the latter merely survives on the margins of the global economy.
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- This is because, the terms of the presently prevalent economic contract is skewed in favour the command centres as against the suppliers.
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- **Churn -** There is always a possibility for firms at the supply end of the circuit to rise to the position of command and control in certain niche areas.
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- But this is rare, and might also demand such firms to move to locations

where other command structures are located for economic reasons.
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- In either case, supplier cities largely continue to remain suppliers for the international markets, and those residing in them lead a meagre living.
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- **Inertia -** For a city as a whole to become a command centre, there needs to be a comprehensive demographic and politico-economic evolution.
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- This is hard to come by in a long time and is almost impossible under the current international economic and political order.
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What is the irrationality that dominates our policy narratives?

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- “Indian urban policy” is invested in building infrastructure and replicating the structures of globally acclaimed cities in India.
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- In this context, a mad rush to build world class airports, massive expressways and high-speed rail projects has been unleashed.
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- The touted reason for such connectivity projects is to reduce travel time between cities, but it is an end that in itself is futile.
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- Additionally, navigating through city traffic in major cities seems more nightmarish than travelling between those cities in India.
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- Hence, infrastructure is seemingly being built just for the sake of it, as the government strongly believes that infrastructure will usher in development.
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- Importantly, in the midst of this craze, the financial and social costs of the projects are being overlooked beyond prudential levels.
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What are the risks of such an irrational approach?

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- Cities that are command centres have to be attractive for its inhabitants

and hence have to flaunt an aura of attractiveness and richness.
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- Contrastingly, supply centre cities usually have a large population that is poor and hence needs to be affordable to accommodate them.
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- Our policy makers fail to make this basic distinction between cities on the differing ends of the global trade circuit.
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- Resultantly, they are unleashing projects with little knowledge about its economic potential and little prudence for the costs being incurred.
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- The risk of such high-headed policy making is that, it would lead our cities becoming costly, which would hit the poor masses the most.
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- Additionally, as a result of becoming costly, our cities might lose the cost-effectiveness edge, and thereby see a reduced global demand for its supplies.
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- In this lies the risk of losing business and thereby jobs, which would add to the nation’s economic pain.
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Source: Business Line

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