

# GLOBALISATION

## Issues and Challenges

Almost daily, every time we turn on our radio or television, we are bombarded with the buzzword “globalisation”. It is now part of our daily diet, but some people find it difficult to chew and digest. So what exactly is this globalisation of which we have heard so much about over the last couple of years? How is it going to impact on business, and especially the manufacturing sector in small island economies?

The term “globalisation” describes the increased mobility of goods, services, labour, technology and capital throughout the world. Globalisation is not new; its pace has increased with the advent of new and improved technology, especially in the area of telecommunications. The origins of the word “globalisation” may be traced to the 1960’s, when McLuhan coined the phrase “global village”, to describe how the world was communicating, and as a result was becoming closer than ever before.

In the commercial arena, globalisation usually takes the form of mergers and acquisition, (e.g. Barclays bank and CIBC merged to form First Caribbean International Bank) mixed firms of multinational distributors and local companies, and strategic alliances.

### Is Globalisation good or bad?

Globalisation is like fire. Fire itself is neither good nor bad. If fire is used properly, it can cook food, and sterilize equipment. Used carelessly, fire can destroy lives and buildings in an instant. As Friedman says: “Globalisation can be incredibly empowering and incredibly coercive. It can democratise opportunity and democratise panic. It makes the whale bigger and the minnows stronger. It leaves you behind faster and faster, and it catches up to you faster and faster. While it is homogenizing cultures, it is also enabling people to share their unique individuality farther and wider”.

So what arguments can be advanced in favor of globalisation? Those who are in favor of globalisation put forward the following arguments:

- a) **Consumers benefit from lower prices due to increased competition;**
- b) **Globalisation improves the standard of living of people around the world; and**
- c) **The poor gain access to technology at lower cost (the cellular phone craze in the Caribbean is testimony to this).**

On the other hand, those who oppose globalisation offer the following arguments:

- a) **The playing field is not level as rich countries continue to dump subsidized agriculture commodities in developing countries;**
- b) **Domestic industries in rich countries, particularly agriculture, textiles and construction are protected, while rich countries demand that poor countries open up these sectors in their respective countries; and**
- c) **The economic benefits of globalisation have not yet reached a significant percentage of the world population as is evidenced by high levels of illiteracy, inaccessibility to potable water, and poor basic sanitation in developing countries.**

## Challenges for the Manufacturing Sector

The manufacturing sector in the OECS is small with GDP contributions in most islands being less than 10%. There are many small scale producers, cottage industries, and medium size enterprises. The challenges of globalisation affect not only manufactures in the sub-region, but also, the CARICOM region as a whole. Listed below are some crucial issues to be addressed:

- 1. The need to improve human resources to increase productivity and competitiveness;**
- 2. Firms will have to concentrate on what they do best so that they can compete in specialized niche markets, or in the production of inputs required by larger firms;**
- 3. Concomitant to 2.above, the areas where firms do not have a core competency, i.e., where they are not competitive, firms will have to outsource, joint venture, or form strategic alliances with other firms;**
- 4. Flexible manufacturing is essential to minimize the risks of specialization. Firms should specialise in a particular type of product, a particular market niche or a specific manufacturing process. This allows firms to apply their core competencies to new product variations, to satisfy market niches in new ways, or to apply a production process to manufacture products for widely varying markets; and**
- 5. The establishment of business networks is another means of minimizing the risks of specialisation. Two or more firms with complementary core competencies establish ongoing relationships. In this way, they form consortia or joint ventures to bid on projects or meet particular market requirements or to co-operate in joint purchasing, share equipment or co-ordinate transportation.**

## Conclusion

Globalisation does present challenges in every aspect of life. Whether we are for or against globalisation is here to stay. The Free Trade Area of the Americas (FTAA) should be finalized by 2005 and this has implications for trade in the CARICOM region.

Manufacturers and businesses in general have to keep abreast of all the new requirements for trade. They must ensure that the necessary change processes are implemented in their organizations to be able to compete effectively, in a world that is unconcerned with size and playing on a level playing field.