

# Impact of Globalization in Nepalese Economy

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## ABSTRACT

This paper makes an effort to examine how globalization has affected the Nepalese economy. Growing concerns about rising inequality, political shifts, and cultural homogeneity have been brought on by globalization. Although it currently has a significant impact on reducing poverty, global integration has the potential to be far more successful. Due to growing trade liberalization and technological advancements, globalization and its interconnection have created new prospects for both local and global development, as well as the expansion of the global economy. While Nepal has effectively adjusted to the shifts and profited from globalization, the outcomes have been uneven. This article demonstrates how the process of integrating into the global economy has been quite uneven lately. It also demonstrates how much more slowly certain developing nations, like Nepal, are assimilating into the world economy.

**KEYWORDS:** economy, globalization, impact, integration, liberalization.

## INTRODUCTION

The process of merging different economies worldwide without causing any obstacles to the free flow of capital, labor, or even technology, goods, and services, is known as globalization. To put it simply, globalization is the expansion of economic activity beyond national boundaries. National macroeconomic policies are constrained in their reach and national economies are dreadfully exposed to global market forces.

Trade, investment, and governance bind people together on an economic and social level. Information, communication, and transportation technology, along with market liberalization, are what drive these links. The process of an activity or project becoming global in scope is known as globalization. It alludes to the lack of boundaries and obstacles to international trade. The result of expanded international operations is a more integrated global economy than in previous times. The global village emerges as a result of this slow integration. While foreign direct investment (FDI) began to play a bigger part in the process of globalization in the 1950s and 1960s, foreign trade expansion was the primary driver of globalization in the immediate post-World War II period. In the last thirty years, and according to a worldwide.

Globalization can be seen as one of the most important forces that has impacts on the economy. It is accepted that the world economy has become more integrated due to the process of globalization (Neuland & Hough, 1999). Redding (1999) defines globalization as the increasing integration between the markets for goods, services and capital. Globalization in the broadest sense implies integration of economies and societies across the globe through flows of technology, trade and capital. Integration of production, accelerates cross-border investments and more trade are the logical outcomes of this process. While most people seem to agree what globalization is in general, there are no precise or optimal

measures of globalization. Given the inherent fuzziness of the concept, moreover, it is unlikely that a perfect measure will emerge which is very difficult to measure the impact of globalization on anything. However, this does not make the analysis redundant. Where measures are required, it seems best to treat particular (quantifiable) aspects separately, acknowledging that this does not amount to a complete analysis of globalization.

According to Nayyar (1998), globalization can be defined, simply, as the expansion of economic activities across political boundaries of nation states. More importantly, perhaps, it refers to a process of deepening economic integration, increasing economic openness and growing economic interdependence between countries in the world economy. It is associated not only with a phenomenal spread and volume of cross border economic transactions, but also with an organization of economic activities which straddle national boundaries.

Rodrik (1997) observes a serious risk in international economic integration that would contribute to domestic social disintegration. Accordingly, tension would come out between globalization and society from the sources of the power imbalance between unskilled workers and owners of capital, the conflict between different domestic norms and standard set by international institutions and the declining ability of governments to provide social insurance for their citizens. All of these factors could lead to social disintegration. However, globalization can be powerful mechanisms for development and greater welfare and prosperity if better managed and regulated. In addition, globalization can be reshaped, when it is properly, fairly run, with all countries having a voice in policies affecting them, there is a possibility that it will help to create a new global economy.

One of the first theorists of globalization Giddens (2000) represents globalization as a broad concept and his arguments about how globalization may be conceived of in theoretical terms have been used by many commentators. Globalization as representing a set of worldwide social relations that have become intensified, such that, distant localities becoming intrinsically linked in both instance and location and therefore, "local transformation is as much a part of globalization as the lateral extension of social connections across time and space". Therefore, the global is connected with the local as local decisions are increasingly taken with reference to the global framework.

Further, he adds that globalization generally reduces poverty because more integrated economies tend to grow faster and this growth is usually widely diffused. As low-income countries break into global markets for manufactures and services, poor people can move from the vulnerability of grinding rural poverty to better jobs, often in towns or cities. In addition to this structural relocation and integration raises productivity. Workers with the same skilled farmers, factory workers, or pharmacists are less productive and earn less in developing economies than in advanced ones. Rich countries maintain significant barriers against the products of poor countries, inhibiting this poverty-reducing integration. A 'development round' of trade negotiations could do much to help poor countries better integrate with the global economy and is the part of our agenda for action.

Globalization also produces winners and losers, both between countries and within them. Between countries, globalization is now mostly reducing inequality. About 3 billion people live in "new globalizing" developing countries. During the 1990s this group grew at 5 percent per capita compared to 2 percent for the rich countries. The number of extreme poor (living on less than \$1 per day) in the new globalizers declined by 120 million between 1993 and 1998. However, many poor countries with about 2 billion people have been left out of the process of globalization. Many of them are becoming marginal to the world economy, often with declining incomes and rising poverty. Clearly, for this massive group

of people, globalization is not working. Some of these countries have been handicapped by unfavorable geography, such as being landlocked and prone to disease. Others have been handicapped by weak policies, institutions, and governance; yet others by civil war. Addressing the marginalized areas is a key part of the agenda for action. Reducing poverty in these areas will require a combination of policy reform to create a better investment climate; development assistance to address problems of education and health; and out-migration to more favorable locations, both within and across national boundaries (World Bank, 2002).

'Economic globalization' is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders. There are also broader cultural, political, and environmental dimensions of globalization. The term 'globalization' began to be used more commonly in the 1980s, reflecting technological advances that made it easier and quicker to complete international transactions to both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity to village markets, urban industries, or financial centers (IMF, 2008).

### Concept Map of Globalization

Globalization is a multifaceted process due to its broad scope. The following terms are frequently used in concept maps of globalization to help create a clear grasp of it:

- **Economic globalization:** It is the development of trade systems within transnational actors such as corporations or NGOs.
- **Financial globalization:** It has to do with the emergence of a global financial system involving cross-border monetary and financial transactions. For example, stock markets are an excellent illustration of how the world's economies are interconnected financially since a collapse in one market has a negative impact on other markets and the overall economy.
- **Cultural globalization:** It indicates to the blending of cultures, which causes countries to absorb the values, ideologies, and dress of other countries, losing their own distinct cultures in favor of a single, globally interconnected supra-culture.
- **Political globalization:** Political globalization refers to the emergence and expanding power of international institutions like the UN and WHO, which enable governments to take worldwide action.
- **Sociological globalization:** In terms of social globalization, information flows virtually instantaneously, as do the relationships and dependencies between events and their outcomes. Individuals may travel frequently, blending and assimilating into many communities.
- **Technological globalization:** The phenomena whereby millions of individuals are connected through the power of the internet through sites like Facebook, Skype, and YouTube.
- **Geographic globalization:** What is ever-evolving is the new global hierarchy and structure of various regions. Furthermore, there are very few limits on travel around the world, save for a few nations that require a visa, thanks to the ease and affordability of transportation and aviation.
- **Ecological globalization:** The new global hierarchy and organization of different regions are constantly changing. Furthermore, due to the accessibility and low cost of transportation and

aviation, there are virtually no restrictions on travel throughout the world, with the exception of a few countries that demand a visa..

## **METHOD**

The study is based on the textual analysis. Being non-technical, this study is basically, descriptive and analytical in features and impacts of globalization in Nepalese economy. The secondary sources such as various articles, books and globalization related other pieces of information have also been accessed for developing this article. The information obtained from websites have been reviewed as required. Thus the library method has been used in the study. All variables are analyzed systematically.

## **DISCUSSION**

### **History of Globalization**

Some believe that this worldwide phenomenon is part of what it is to be human. For this reason, some argue that globalization started at the beginning of human history, some sixty thousand years ago. The amount of trade that human societies have exchanged has increased over time. Various civilizations have established commercial trade routes and engaged in cross-cultural exchanges from ancient times. Furthermore, these population swaps have been facilitated by the migratory phenomena. Particularly now that travel is more rapid, more pleasant, and more reasonably priced.

This pattern has persisted historically, most notably as a result of exploratory efforts and military victories. However, globalization did not pick up momentum until technical advancements in communication and transportation. The term "globalization" became widely used as world trade increased to such an extent and velocity, especially in the latter half of the 20th century. More precisely, although the idea behind globalization dates back centuries, the phrase itself only gained traction in the 1990s. Ever since it joined the World Trade Organization in 2004, Nepal has been pursuing a globalization strategy.

### **Era of Globalization**

Innovations in communication and transportation, along with political developments, are the roots of globalization. Globalization and development integration were made possible by innovations. The following are the first and second globalization eras:

#### **First Era of Globalization**

Significant advancements in the 19th century paved the way for the emergence of the first real period of globalization and integration. The impediments and transportation expenses brought forth by trading partners' distances were lessened by new technology. Larger and more powerful oceangoing steamships shortened the time needed to traverse the oceans, and newly constructed railroad tracks made it possible for large loads to be transported by train across land. Ships heading from Europe to Asia could now bypass the lengthy and dangerous route around Africa thanks to the construction of the Suez Canal in 1869. Payload size increased and travel duration reduced. Telegraph lines that connected North and South America to Europe, Asia, Australia, and Africa under the ocean transformed communication. Simultaneously, significant political shifts allowed for trading on international markets. Britain unilaterally removed its corn laws, which were grain tariffs imposed to safeguard home producers. In the Opium Wars, a British victory forced China to open its port towns to trade, and American military forces

under the command of Commodore Matthew C. Perry forced Japan to open its markets. A previously unheard-of degree of global economic integration emerged between the close of the 19th and the start of the 20th centuries as a result of advancements in politics, communication, and transportation. However, a protective backlash in both Europe and the Americas started to take hold when world output reached its highest point in history. When a result, the network of linkages and the boom that followed from this initial globalization could not endure.

Many nations experienced an era of isolationism as a result of World War I and the challenging post-war ties. The Great Depression struck before global trade could rebound, and in response, nations passed a number of laws meant to safeguard their own industries. Often referred to as beggary-neighbor policies, these actions aimed to advance one nation at the expense of others. The Smoot-Hawley Tariff Act of 1930, passed by the US, had a devastating effect on world trade. This act brought the average level of protection on imports into the United States to unprecedented levels by raising the levies on imported agricultural items and a wide range of other products. In response, other nations enacted their own protectionist measures and increased levies. The amount of global trade fell precipitously as a result.

## **Second Era of Globalization**

Many leaders had the belief that economic interdependence would contribute to the preservation of international peace following World War II. Countries consented to participate in multilateral trade negotiations in the years after the war. Large numbers of nations came together in 1947 under the General Agreement on Tariffs and Trade (GATT) to explore lowering various trade barriers. A number of GATT rounds, or multinational trade discussions, between 1947 and 1995 led to significant drops in tariffs, quotas, and other trade restrictions for products and services. One of the main drivers of this new era of globalization was the 128-nation discussions. The World Trade Organization (WTO), an international organization that enforces trade regulations and offers a platform for resolving trade disputes between countries, assumed control of GATT's operations in 1995. In the latter half of the 20th century, trade negotiations conducted under the auspices of the GATT and WTO made it possible for the globe to start a second major phase of globalization. Technological innovation propelled the integration forward, even as these political events laid the groundwork for a new era of globalization. Large cargoes were transported around the globe by modern container ships, and airplanes started to provide access to even the most distant regions of the planet. The time and expense of bringing products to new markets were drastically lowered by these advancements. Innovations in communication held similar significance. Modern communication has been revolutionized by computers, cell phones, and the Internet. Large amounts of data started to transfer practically instantaneously between locations on opposing sides of the globe as fiber optic networks circled the planet. This communications network was used by multinational companies to handle sales, delivery, and production around the globe. Services that were formerly exclusive to regional suppliers are now offered to global consumers by foreign manufacturers.

Innovations in communication and transportation, as well as political changes, laid the groundwork for both the first and second eras of globalization. However, the degree of integration attained in the second age has been astounding. Three key components of this integration—trade in commodities and services, international financial capital and investment flows, and labor and population mobility—define the global marketplace.



### Features of Globalization

Globalization encompasses various aspects such as politics, economy, society, environment, climate change, and military. Liberalization, privatization, free trade, the deregulation of tariff barriers, the international mobility of capital, information, and technology, as well as the explosive expansion of international social movements, are the fundamental characteristics of globalization. The following are some fundamental aspects of globalization that could be mentioned:

- Linking the domestic and international economies.
- The elimination of trade restrictions and tariffs, as well as the awarding of Most Favored Nation (MFN) designation.
- Allowing foreign direct investment, foreign cash, and foreign technologies to enter domestic economies.
- The information and technological revolution has facilitated the rapid global movement of people, capital, goods, and information.
- Liberalizing economies by reducing state control over the ownership of the means of production and distribution through the privatization process.
- Globalized social movements, encompassing movements for human rights, gender issues, climate change, and other challenges, have given rise to global civic activity.
- Super state entities, like the United Nations, the IMF, the World Bank, the WTO, and numerous regional organizations like the EU and ASEAN, are responsible for overseeing global governance.

### Impact in Nepalese Economy

The term "globalization" describes the growing interconnection and connectivity of the economies, civilizations, and cultures of the world. Globalization processes can benefit developing nations like Nepal by bringing in new technologies, skills, employment, and earnings. Additionally, the benefits of globalization to them include environmental restoration and regeneration, an expansion of their cultural options, and a voluntary enrichment of their lifestyles through assimilating aspects of other societies and exporting their own products and cultures to build a prosperous, multilingual, multi religious, and multicultural civil society on a global scale. There could be negative effects from globalization as well. Developing nations ought to contend with developed nations (i.e., uneven competition), a high risk of brain drain, widening gaps between the affluent and the poor, and so forth. Improvements in communication, transportation, and technology have sped up this process. It is the process by which a single organization begins to function internally or gains influence on a global scale.

### Some of the positive impacts of globalization in the context of Nepal are as follow:

1. **Good relations with other nations:** Maintaining good relations with other nations worldwide depends heavily on globalization. People from the two countries will interact when they engage in mutual trade, which fosters goodwill and facilitates the sharing of ideas, cultures, expertise, and other resources.
2. **Expansion of market:** Small nations like Nepal may now access larger markets thanks to globalization. It unites the nation with the global community. Products that are created effectively can be sold anywhere in the globe on a large global market. Large-scale production will come from this.

3. **Technology transfer:** Nepal now has easier access to cutting-edge global ideas and technologies because to globalization. Nepal can boost competitiveness, cut expenses, and raise production by implementing innovative technologies.
4. **Voice against global issues:** Through boosting global awareness, fostering the development of transnational advocacy networks, boosting connection, and easing the operation of international organizations, globalization has contributed to the raising of voices against global issues.
5. **Job opportunities:** In labor-rich, capital-poor, least developed nations like Nepal, globalization has expanded job opportunities and boosted the expansion of the world economy.
6. **Access to various goods and services:** Access to a wider range of affordable domestic goods and services has been made possible by globalization. Individuals have multiple options to choose from, so they are not limited to using just one good or service.
7. **Social-cultural transformation:** As a result of globalization, many nations have peacefully celebrated one another's cultures, religions, and customs, resulting in social and cultural transformation.
8. **People's participation:** People are now more inclined to protest and voice their opinions against injustice, inequality, and corruption as a result of globalization. People in Nepal are also affected, either directly or indirectly, as they voice their opposition to these operations in order to demonstrate their participation.
9. **Quality product:** By giving manufacturers access to technology, boosting competitiveness, establishing international standards and laws, encouraging cooperation and partnerships, and allowing them to get input from consumers all around the world, globalization can contribute to the production of high-quality goods.
10. **Collaboration and partnership:** Globalization can help international producers, suppliers, and customers work together and form partnerships. Sharing of information and skills may result from this.

**Some of the negative impacts of globalization are as follow:**

1. **Erosion of national sovereignty and cultural homogenization:** By fostering standardization, establishing strong multinational corporations, negotiating free trade agreements, fostering economic interdependence, and propagating Western cultural ideals, globalization can result in the loss of national sovereignty and cultural homogeneity.
2. **Income inequality:** Globalization can lead to the loss of national sovereignty and cultural homogeneity through promoting standardization, creating powerful multinational firms, negotiating free trade agreements, increasing economic interdependence, and promoting Western cultural ideas.
3. **Increased the gap between poor and rich countries:** The divide between affluent and impoverished nations has widened as a result of globalization. The dominance of international firms has made it difficult for local enterprises in least developed nations like Nepal to prosper.
4. **Brain drain:** Due to a severe labor shortage brought on by qualified professionals leaving Nepal for better chances abroad, including engineers and doctors, the nation has seen a substantial brain drain.
5. **Political Influence:** It's among the drawbacks of globalization for Nepal. The dominant global force frequently meddles in domestic matters and persuades the leaders of the participating countries to act in their best interests and not always that of their citizens.

6. **Empowering multinational companies:** It also has an adverse effect. For instance, when multinational corporations establish themselves in a new country, they want to make a lot of money. However, once the work is over, the earnings are typically transferred back to the parent countries, leaving the host countries with nothing.
7. **Job displacement:** globalization can create job displacement by increasing competition from imports, leading to the relocation of production, adopting automation and technology, shifting demand from traditional industries, and expanding the informal sector.

It has a negative impact as well. For example, multinational firms aim to maximize profits when they set up shop in a new nation. But after the job is done, the money is usually sent back to the parent nations, leaving the host nations with nothing.

## CONCLUSIONS

The term "economic globalization" describes how each nation's economy is integrated with the global economy. Globalization of the economy is a process as opposed to an event. The growing degree of openness with regard to international trade, investment, and finance is the essence of globalization. The policies that promote globalization are privatization and economic liberalization. The benefits of globalization are not inevitable; rather, they depend on sound policies, particularly stable macroeconomic policies, open trade agreements, and adaptable product and factor markets. Globalization is a process that leads to increased economic integration of goods, services, and capital markets.

Globalization is currently facing a significant backlash against the purported "win-win effects" in industrial democracies. Globalization, then, affects developing nations like Nepal in both positive and harmful ways. There doesn't seem to be much disagreement that globalization is here to stay and is a force to be reckoned with. The potential of globalization to promote or impede democracy and human rights is a topic that interests scholars beyond just academic discourse. No matter where someone lives on this planet, this strong force is having an impact on their life.

We certainly owe it to our economists to assist them in comprehending the profound changes that are taking place. Additionally, we must assist our people in developing the civic virtues and selflessness required to steer globalization in ways that uphold and advance democracy. It is evident that emerging nations can achieve significant advantages by implementing the techniques in the future. These nations must externalize their domestic economies, enact safeguards to lessen the negative effects of globalization, and alter their policies appropriately to allow for free and fair trade. A more friendly environment might be produced by encouraging stakeholders to advocate for policies, concentrating on areas of comparative advantage, and developing economic intelligence through parallel economic diplomacy.

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