# Is globalisation a threat or opportunity economics essay

The term “ globalisation” is often used however hardly ever defined. It refers to the rapid enhance in the share of monetary movement taking place across state limits. This goes further than just the international trade in goods and comprises the way those goods are produced, the delivery and sale of services, and the movement of resources. Globalisation is the result of a number of interrelated developments together with:

The increase and relative consequence of foreign direct investment and multinational enterprises

The internationalisation of financial markets

The ongoing growth of communication and transport technology

Deregulation and liberalisation

Privatisation of public sector service

(TSSA)

This report includes about Globalisation and its impacts to consumers and also the benefits that both organisations and employees could take chance of it.

## Defining Globalisation

Globalisation is the process by which the world is becoming increasingly interconnected as a result of massively increased trade and cultural exchange. The global economy is the machine that powers globalisation. This concept has been taking place for hundred of years, but has speeded up rapidly over the last decade. The factors that influence globalisation include the following.

Communication: Technological products and services such as TV, Telephone and Internet have allowed information to travel so rapidly. An Australian business can have a call centre in Sri Lanka answering calls from Australian customers (BBC).

Transport: This has become cheaper and people travel more than earlier days since the development of the transport industry such as Rail Transport, Air Transport and Sea Transport. The mode of transport has become more convenient than never before with the improvement of technology since customers can arrange their travel needs staying at their home and the services are delivered to their door step. Businesses can ship products and raw materials all over the world more easily – making products and services from all over the globe available to their local customers (BBC).

Trade Liberalisation: Laws restricting trade and foreign investment have been relaxed. Several governments even offer grants and tax incentives to convince foreign companies to invest in their country (BBC).

When globalisation comes into existence there are two main policies that govern the process of globalisation, which is Privatisation and Deregulation.

Privatisation is all about putting the government out of the business. Which means the free market will take control of the business which is managed by a private sector organisation. When the government is incompetent to run the economy they will let the free market to run it which will benefit the public. At this stage governments will sell their publicly owned business and assets to multinationals (MNC's) which are controlled and financed by public shareholders.

In a country deregulation will take several forms. Government in a country would take off the trade restrictions and easing of government regulation in business will allow the business to run more efficiently. Therefore the best business will survive the competition to give the consumers a better standard of living.

## Dimensions of Globalisation

## Trade

Trade is the key ingredient that receives more attention of globalisation. Trade liberalisation would minimise the formal trade barriers through the process of WTO and other regional bilateral agreements. Trade liberalisation receives much public inspection since it engages direct policy decisions by national government to reduce trade barriers. It involves legislation and concessions with other governments. Thus trade liberalisation is important to many countries economic in modern times. Many successive governments have delivered on commitments to reduce trade barriers (Harcourt, 2001).

## Investment

There is less public debate about the role of investment despite the capacity of the capital which outstrips trade flows in this aspect of globalisation relative to trade. One of the reason behind this would be there are formal regulations of investment made by governments on an international scale equally there are trade regulations in the WTO. However the opening of the domestic economies to FDI is an important part of modern globalisation (Harcourt, 2001).

## 3. 3 Organisational Change

This dimension of globalisation related to organisational change in the corporate sector. Exploring trade and investment flows between countries may provide some suggestion to international economic integration but it may fail to spot key important developments of corporate restructure and firm behaviour that may have major affects. There have been intact changes in many organisations in terms of the nature of the firm due to globalisation of the production and distribution process. Today firms are part of global supply changes with extensive global networking which has led modern world management strategies such as outsourcing (Harcourt, 2001). According to Eslake (2000),

“ For both corporations and governments, the drive to lower costs has in turn spawned a variety of management strategies such as ‘ outsourcing’ non-core activities to outside specialists, striving for economies of scale by acquiring and consolidating the operations of other businesses producing similar or compatible products, and shifting activities to locations where the most important inputs (such as labour or energy) may be obtained on the most favourable terms. For each of these strategies, reaching across national borders is a distinctly possible outcome.”

Corporate strategy might occur within in a nation where as in some instances it may not. Nevertheless, exporters and affiliates of international firms are often the first to implement organisational change within a country.

Exporters tend to adapt international business practices much earlier than the domestic firm in the domestic market do will be a special characteristic. Therefore, practices like out-sourcing, benchmarking, business networking and contracting out are more likely to be pronounced in the exporting sector of the economy (Harcourt, 2001).

## Is Globalisation a Threat or Opportunity?

Globalisation has the potential to create wealth and enhance living standards. The benefits are obvious for countries which comprised with products, skills and resources in order to take advantage of the opportunities provided by the global markets. Furthermore there are some major downsides particularly for those countries that don't fall into to this category (TSSA).

In general globalisation is recognised as having increased the gap between the rich and poor. This is largely because of the policies that drive the globalisation processes have mainly focussed on the needs of the business. Moreover this concept has significant social and political implications which have brought the threat of elimination for large section of the world's population creating unemployment, growing wage and income disparities. This concept " globalisation" which we all concern about has also made it difficult to deal with economic policies just as prominently in corporate behaviour which is purely within a nation (TSSA).

Over the past years industrialised countries which are highly paid have seen their income rise much more faster than the average developing families in third world nations are dependent on insecure such as low paid jobs and less social benefits. Trade Liberalisation of trade which means and to reduce regulation including legal protection of workers has put on a negative impact on the lives of millions of people around the world. Several poor countries such as Sri Lanka are have been encouraged to enhance the production for exports and compelled to reduce inadequate spending on public services so that it will benefit the nation to repay their foreign depts. Consequently this has forced many people substantially in to a life of poverty and uncertainty (TSSA).

## Pros and Cons of Globalisation

## Positive:

The utmost benefit that most of the developed countries get from globalisation is the availability of greater range of cheap goods to buy.

Globalisation opens people to be alive to other cultures and all their creativity and to the flow of thoughts and ethics.

Information and communication technologies have eased interaction among countries and peoples.

Globalization has eased international trade and commerce, facilitated foreign investment and the flow of capital.

Globalization has freed labour across boundaries.

Globalization has set new rules that are integrating global markets.

(Nsibambi, 2001)

## Negative:

As cultures interact, some cultures are being diluted and/or destroyed at the expense of others and negative values are being spread all over the world with relative ease.

The world is now divided between the connected, who know and who have a monopoly on almost everything, and the isolated, who do not know and who practically have nothing.

Globalization has encouraged illicit trade in drugs, prostitution, pornography, human smuggling, dumping of dangerous waste and depletion of the environment by unscrupulous entrepreneurs.

Globalization has facilitated the " brain drain" in developing countries, thus reducing further their human capacity.

Globalization has set new global rules that have further marginalized poor countries and people, especially in areas of trade.

(Nsibambi, 2001)

## Conclusion

In order to sustainably serve the humanity there would be a different global economy that works in the real world. It is inevitable that the pain destruction caused by the global economy has affected the consumers in the poor countries at large but this how the global economy is designed. Employment deprivation, social breakdowns, and high personal stress levels are not a substance to mathematically calculated profit margins in today's business arena. The people of a nation as humans care about well being of their environment and society in which they belongs to. Most of the MNC's do not have such national sentiments to put in to practice as they would look ahead to give the world for a dominant market share and presently their concern is merely just doing what they want.