

Benefits and challenges of globalization in malaysia



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1. 0 Introduction

In this assignment, I need to discuss the benefits and challenges of globalization in Malaysia with relevant real life example. In addition to that, I also need to critically examine with real life examples any three pros and cons of FDI in Malaysia

2. 0 The benefits and challenges of globalization in Malaysia

2. 1 Benefits of globalization in Malaysia

- Travel and tourism

According to Olivia Ruggles-Brise (2012), the World Travel and Tourism (WTTC) had invested in economic impact research, which assesses that the Travel & Tourism industry had contribution to GDP and jobs.

Real life example:

Based on the report that proposed by United Nations World Tourism Organization (UNWTO) in 2010. Malaysia is the 9th highest international tourist arrivals which had reach up to 24. 6 million visitors to the country, increase 3. 9% at the end of 2009 performance.

- Global marketing

Pars Articles (2012) had proposed, due to globalization, Malaysia has relied to a large level on global capital and trade flows to push its economy, which the computers and electronics are the main successful items.

Real Life example:

According to the Government website “ Malaysia External Trade Development Corporation” 2013 report. Malaysia had total trade grew of 1.6% in March 2013 which reach the value of RM114.94 billion compared with March 2012.

- Health improvements

According to Pim Martens(2010), based on globalization the health improvements had experienced in develop countries due to social and environmental changes, it more recent health improvement in developing countries which can broadly related to health improvements knowledge transfer and socio-cultural determinants.

Real Life example:

According to Christina Tan (2012), Datuk Seri Liow Tiong Lai represent The Health Ministry said that they will continue improve the new Kluang Hospital by providing more high technology equipment and upgrade the services of medical staff and specialists with the aim of improve the health care system in the country and reduce the infectious diseases.

- Allow higher education

According to Anantha Raj A. (2011), In Malaysia, a lot of impressive change to the function and character of higher education caused by the effect of globalization and the development of knowledge based economy. The main trend is the reorganization and reform of private higher education in Malaysia to make it more global competitiveness.

Real life example :

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According to Anantha Raj A. (2011), the increasing Asian countries with large populations such as China, Malaysia and Indonesia have been moving towards by the policy on globalization of higher education. The demand is predicted to rising from 1. 8 million to 8. 4 million international students in 2000. (Referred to appendix Table 1 shows the share of tertiary foreign students in OECD countries.

2. 2 Challenges of globalization in Malaysia

- International trade : replica risk

According to Dr. Jean-Paul Rodrigue (2013), there are no nation is self-sufficient in global economy, therefore international trade occur to sell what a country have and acquire what it lacks. However, it involved replica risk during international trade.

Real life example:

According to Yee Xiang Yun (2012), the price of a branded handbag (Burberry) is RM2, 647 at Johor Premium Outlets (JPO) yet at Johor Bharu Sentral had sell product which is similar that sold for only RM69. 90. Those replica products look real and it has their own ID card that same with the real one.

- Outflow of currency

According to Vipul Lovekar (2013), Globalization had brought a lot of employment opportunities for other country to move toward developing countries to gain labor force. However, it give disadvantage for country due

to outflow of currency which caused by foreign employees who bring their money home to their home countries.

Real Life example:

According to Malaysian Chinese Association (2008), Finance Minister Fatuk Kong Cho Ha said that the money value in Malaysia has drop because of the currency outflow due to the foreign employees. Based on the 1st quarter in 2008, about RM 4. 5 billion (2. 8%) of total currency outflow to foreign countries in national current accounts because of foreign employees.

- National disrepute

According to Silicon Valley (2013), Globalization can know as “ IT revolution”, People can share and use the information for political, personal commercial from internet by networking websites, twitter and others. It is one of the reason affect Malaysia reputation disrepute.

Real Life example:

According to Didi Kirsten Tatlow (2013), published at New York Time online, after the Malaysian opposition parties failed to win in the Sunday's election. Some Malaysians are alleging election fraud and staged “ silent protests” in the country's malls on 7 may 2013, dressed in black with their mouths taped shut.

- Tax competition

According to OECD(1998), an initiative harmful tax competition to develop measures to counter the distorting effects of harmful tax competition on

investment and the consequences for national tax base. Multinational companies can set up offices in countries with very low rates of corporation tax

Real life example :

According to Aprinto Berlianto (2009), the tax rate for Malaysia for which data are available, there is indeed some evidence that Malaysia set the tax lower from year 1996 to 2006, its show that Malaysia has decreased tax rate 2%. The tax rate fell was aimed at raising the competitiveness economy in Malaysia, its helping to attract more investor.

3. 0 PROS and CONS of FDI in Malaysia

3. 1 Pros of FDI in Malaysia

- Employment opportunity

According to Stan Lee Shun Pinn (2011), FDI not only for economic development. There is general sensation that the FDI had contributed to increase employment opportunity.

Real Life example:

Stan Lee Shun Pinn (2011) had proposed, FDI in Malaysia are from Japan or other newly-industrializing economies of Asia and it majority invest in manufacturing sector related to electronics. Thus, while other countries investors invest in Malaysia to expand the current businesses of carry out new projects, they need local manpower to realize the investment due to low

cost and the increased in production requirement will lead to increase in the demand for labour.

- Technology development

According to Yingqi Annie Wei (2004), FDI had attracting many high-tech MNEs to Malaysia country and provided Malaysia's domestic firms with access to advanced technologies through subcontracting and other supply arrangements and there is evidence that foreign investors train some local employees to high scientific and technical standards.

Real life example:

According to The Star online news in 7 July 2012, Phison Electronics Corp had opened its Phisontech Centre in Bayan Lepas, Penang. It will increase the development of flash-drive R&D in the Northern Corridor, which in the future might be the key contributor to Malaysia's LED cluster.

- Economic Growth

According to Mohammad Reza Nourbakhshian (2012), FDI has promoted to effective economic growth in a number of developing countries because FDI contributing to country development strategies for technology and capital it applies.

Real Life Example:

According to New Straits Time Online in 11 May 2013, the International Trade and Industry Minister Datuk Seri Mustapa Mohammed announced had

announced. In 2011 the foreign direct investment inflow had increase 12. 3% from RM29. 3 billion to RM32. 9 billion.

3. 2 Cons of FDI in Malaysia

- Over-dependent on the electronic industry

According to Swee-Hock Saw (2006), The electrical and electronics (E&E) industry has become the most leading subsector in Malaysia manufacturing sector and became the largest contributor to manufacturing output, export, import and employment. This dominance reflects uneven industrial development where the manufacturing sector is skewed towards one industrial subsector.

Real life example:

Swee-Hock Saw (2006) had proposed, in 2003, E&E products stand 28. 3% of total value-added and 66. 2% of total exports. Between January and August 2003, the industry employed 390, 249 persons (39%) of total employment in the manufacturing sector.

- Pollution haven

According to Shang-Jin Wei (2001), the multinational firms individually involved in high polluting activities, relocated to other countries with weak environment standards. Due to bureaucratic corruption which inward FDI but correlated with laxity of environmental standards. Besides that, environmental standards of the owner countries and pollution intensity of the multinational firms are not easy to measure.

Real Life example:

According to The Star Online news in 10 DEC 2012 about Lynas, four cabinet ministers said that “Lynas” must be removed from Malaysia because that said that Government will not care the safety and health of citizen and environment while dealing with the issues of Lynas.

- Environment Degradation

Vipul Lovekar (2013) had proposed, Due to FDI Malaysian manufacturing had improved and the industrial revolution had change and it affect the environment. The natural resources used by industries (mining, drilling and others) are depleting and verge of becoming extinct.

Real Life example:

According to Isabelle Lai (1 March 2013), the secretary-general Josie Fernandez represented the Transparency International-Malaysia (TI-M). Due to the economic development plans, the conversion of peat forests to oil palm plantation, logging in forest reserves widely and the aggression of orang asli settlements.

4. 0 Conclusion

I HAVE discussed the benefits and challenges of globalization in Malaysia with relevant real life examples. In addition to that, I also have critically examined with real life examples the THREE (3) pros and cons of FDI in Malaysia.