

Advantages and disadvantages of globalization to economy



Introduction

Globalization in the world of business is the process of intertwining markets all around the world by means of businesses extending their influence and operation on a global scale driving cross-border trade and investment (The Levin Institute, 2014). It includes the spreading and influencing of “ world views, products, ideas and other aspects of culture” (Al-Rodhan, 2006). The rapid advancement of it, aided by the assimilation of global transportation, communication and advancing technology affects the “ environment, culture, political systems, economic development and human physical well beings in societies” they reside in (The Levin Institute, 2014).

The act of globalization brings about a wealth of benefits to both guest and host countries worldwide. This includes but not extensively “ employment, education, product quality, cheaper prices, improved communication, transportation, and economic growth through free movement of capital, international trade and GDP increase” (Lovekar, 2013).

Although beneficial, it inadvertently also bring about an abundance of detrimental factors. Some major issues comprise “ health issues, loss of culture, uneven wealth distribution, environment degradation, disparity, conflicts”, and many others (Lovekar, 2013). An example being the alluring promise of allowing impoverished countries to develop economically through globalization inadvertently brings about the benefit of low-cost production from a detriment of instituting an under paid labor force.

Considering the involvement of factors such as these (which will be further elaborated using various case studies in the report to follow), we can see <https://assignbuster.com/advantages-and-disadvantages-of-globalization-to-economy/>

that developed countries that are the ones leading the charge of globalization, hold the control and power to implement the way globalization is carried out. Therefore these countries should implement the policy on globalization by first taking a bigger step through advancing a deeper knowledge to understanding the impacts, and work towards solving problems and harmonizing the dividends across all parties affected by the monster of globalization (The Levin Institute, 2014).

1. Advantages of globalization

1. International trade

International trade has contributed to the growth of U. S. economy in many areas. The export is valued at \$2. 2 trillion in 2012 and has created up to 38 million job opportunities in the state. This profit made from the trade will inadvertently trickle down the hierarchy and also help to raise the salary and wealth of the people. Looking at the large amount of exports from U. S, we can deduce that international trade has allowed the expansion of business mechanization and the advancement of technology which inadvertently has helped businesses to maintain and keep up with competitors all around the world.

As the U. S. Chamber of Commerce (2014) points out, international trade through importing brings in a series of advantages such as providing an increased variety of goods that are not obtainable within the U. S. and make available all year round, products such as harvested crops that are not procurable from the country itself during certain seasons in the year.

Moreover, it inadvertently helps to increase the domestic expenditure as

they bring competitive prices that raise the spending ability of the regular American, which eventually also contributes to the economy of U. S.. Through importing as well, manufacturing companies are able to purchase raw materials for production that are not readily available in the country and on certain occasions at cheaper rates that will improve the profit margin (U. S. Chamber of Commerce, 2014).

Therefore, we can see the importance of international trade and how the opening up of markets to foreign exchange benefits the country, as it allows goods and services to be traded with ease, concurrently increasing job opportunities and boosting economic growth.

2. Foreign Direct Investment (FDI)

Singapore's Integrated Resorts, Marina bay sands (MBS) and Resorts World Sentosa (RWS) are the main attractions for the tourism industry, and are the results of successful foreign direct investments. The tourism sector with these new attractions have brought in up to 13. 2 million visitors and profited from \$22. 3 billion worth of tourist's spending in 2011 alone. This has significantly contributed to not only the tourism industry but also to a substantial economic growth in Singapore.

The FDI in this establishment of the Integrated Resorts project has contributed up to 40, 000 job employments in sectors such as retail and Food and Beverage (F&B). It has also trickled down and inadvertently helped to retain Small and Medium Enterprises (SMEs) that are mainly outsourced to provide goods and services to the tourism industry such as transportation, laundry and floral services (Ministry of Trade and Industry Singapore, 2012).

As shown in the graph by HSBC, FDI increased instead of plummeting during the financial crises and that allowed Singapore to continue to bring up the economy during this time of trouble where it would be overwhelming otherwise. (Singapore Business Review, 2010)

3. Capital flow

In 2013 Nestle, originally from Switzerland, expanded its research and development (R&D) centre in Singapore. The company invested up to \$5 million in this R&D expansion and will create up to 20 more jobs while continuing its employment strategy of procuring expertise from a global workforce (Yan, 2013). Its establishment here has brought not only a spike of economic growth during the company's time here, but also a decent pool of skillful and knowledgeable workers to Singapore's labor market, and advanced technology in the field that will inadvertently aid in the growth of Singapore's expertise in the area and provide a larger platform for future expansion.

Recently, Nestle has announced that they are going to increase the capital flow by widening its R&D project in the form of more "manpower, resources and investment" (Grosse, 2014). Investments has been pumped into a project to build up food and nutrition R&D since January, consisting of a partnership with Singapore's Agency for Science, Technology and Research (A*STAR) (Grosse, 2014). With more capital flowing in to invest in such projects, Singapore would definitely benefit from this economic growth.

2. Disadvantages of globalization

1. Human costs

Apple is known as the most successful and wealthiest company due to its manufacturing that is done globally. However, what Apple fails to disclose is that the major production of the devices came from China sweatshops.

In order to meet the global demands of production set by the management in a given timeframe, workers from the Apple manufacturing factory in Chengdu said that they were forced to work long hours, almost seven days a week, in harsh environments which resulted in the straining of workers' health. Apart from that, there have been serious cases of abuse such as child labour and inappropriate employee's welfare. All these factors have concocted a hazardous environment that resulted in two blasts within the manufacturing factory itself, consequently bringing about fatality as no proper safety measurements were taken.

Apple at that point in time had a narrow vision of company profit and growth, and that resulted in the company procuring methods that will increase the profit margin regardless of ethics, and one of the targets was low-cost production. This inadvertently brought about the neglect of their 120, 000 worker's welfare (Duhigg and Barboza, 2012). Companies from developed countries tend to take advantage of workers from developing countries in order to meet their aggressive demand. This happens due to racism, the feeling of superiority brought about by the factors such as the workers are a lower class due to the education level of developing countries and even because they are not of their own nationality.

2. Pollution

As China is on the rise to become a large economic power, they have inadvertently contributed to a huge environmental impact on the world.

China has increasingly become one of the countries chosen by many of its developed counterparts for factory establishment due to its ability to produce goods with low costs. However, with the increased number of factories setting up in China, it has resulted in the release of a huge amount of poisonous industrial gases into the air causing air pollution.

In the study by “ The Proceedings of the National Academy of Sciences”, the release of such gases is connected to the large exports in China. The pollution has not only affected their neighbouring countries decreasing the quality of air but it has also spread over to the United States, causing haze in the westcoast. In order to curb this pollution created by China, Lane and Stromberg (2014) suggested that it is a necessity for countries to come together and make a stand through subduing “ global political tensions” and the goal of “ short-term economic incentives” that prevents cooperation. And as mentioned in the reading, this increasing rate of the air pollution, would result in the deterioration in the health of the Chinese and eventually the people at the rest of the world. (Lane and Stromberg, 2014)

3. Insecurity and violence

China’s recent movement of placing an oil rig near to Vietnam has caused an anti-china riot in Vietnam. This brought up a sensitive issue regarding the ownership of the area in which the oil rig was parked at. The action has since resulted in many Vietnamese protestors reacting violently through the destruction and burning down of many factories that are owned by FDI. As

Vietnamese protestors could not differentiate the different nationalities, they unintentionally affected many FDI companies that are actually owned by Taiwanese or South Korean businessmen. Many factories operating in the area were forced to shut down and with businesses continually disrupted the violence caused a huge decline in income. Vietnamese protestors have been known to be targeting and attacking the Chinese employees as well. In which the riots have resulted in almost two fatalities while leaving many other Chinese nationals injured. Due to this continuous violence many Chinese were sent back to China for safety reasons (Whiteman, 2014). With many establishments of FDI businesses in global countries, it will cause its nation people to feel a sense of insecurity of others invading their country. As depicted in the recent China and Vietnam dispute, all it takes is such sensitive matter to spark all these insecurities.

3. Conclusion

As mentioned above, globalization has proven to greatly contribute to the country's economic growth in both developed and developing countries. It has not only created a substantial number of job opportunities around the world, it simultaneously allows the distribution of technology and knowledge between countries that are essential for their economy's advancement. Globalisation is also a crucial for developing countries as the input from other countries aids in the faster and continuous development of the country.

However, while countries are enjoying the fruits of the economy's growth, there are consequences that appear a result of globalization mostly affecting the developing countries. As mentioned earlier, globalization has resulted in <https://assignbuster.com/advantages-and-disadvantages-of-globalization-to-economy/>

issues such as violating human rights, environment pollution and distrust among countries. With globalization constantly growing and here to stay, more concerns would arise.

With the rise of globalization, it has created a disparity between countries in today's world. This is because while some countries are proving to be hubs where investments continually pour in for that purpose, resulting in rapid economic growth, other countries that are not as attractive and less developed are struggling to keep up. Developing countries are gradually becoming the generator of the developed countries' economy growth and instead of growing together, the economic gap between these countries continues to widen.

A global wealth report in 2013 said that wealthiest 10% of the global population possesses 86% of world's wealth while the bottom half of the rest possess less than 1%. As compared to developed countries which reports show an average of a \$100, 000 wealth per person, the standard wealth of each person in the less developed countries was \$5, 000 or less (Appiah, 2014). In a report from 2012, it is said that the world's population is made up of 82. 5% who resides in less developed countries. This further shows that there are huge gaps in the wealth distribution between the developed and developing countries. It also means globalization while beneficial to the economy of developed countries, is inadvertently creating a larger disparity and straining the economic growth in the developing countries.

Furthermore, globalization implicates internal problems within a country to the countries in which their businesses reside in. With the global economy

<https://assignbuster.com/advantages-and-disadvantages-of-globalization-to-economy/>

differences, it creates social imbalance where people from both developed and developing countries hold different status and wealth, causing opportunities to be extended out only to the ones who can afford it (Appiah, 2014). Workers from developing countries working for these foreign companies feel that they are of lower status as compared to them. Due to the disparity, people from the developing countries feel disadvantaged and discontentment, which in an extreme example resulted in the act of terrorism, aimed at developed countries (Appiah, 2014). The rise of globalization would also mean more foreign companies establishment in developing countries which will increase a deeper sense of insecurity among its people in these countries. An example would be the significant U. S. September 11 attacks in 2001 whereby the New York's World Trade Center towers were being hit by planes that were hijacked by terrorist which eventually affected the world's economic and global assurance (BBC, n. d.). Violence is viewed as a repercussion of extensive inequality, affecting and compromising the world's safety (Appiah, 2014).

Therefore, globalization might be beneficial to the developed countries initially. However, with the rise of globalization, it would widen the gap that is of major disadvantage to the world, and this inequality would inadvertently cause tension that will lead to belligerent situations between countries.