What are the benefits and risks of interdependence?

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Interdependence is the free flow goods and services capital and finances acroos the world most countries are getting linked to the global economic system labor is free to travel from one place to another a country sell one thing to another country this is called the international trade of goods and services and also country are interferences throw financial like china is a huge lender of resources to USA and the example labor would be around the world people are going to UAE for labor to work there these are some example and explanation of interdependent Interdependent can smooth international trade and therefore, world price which is the Cheapest can spread throughout the world of developing countries.

Benefits of Interdependence

If describe the benefits and risks of interdependence the customers will benefit a cheap price and therefore they can have savings for creation of joint funds. Though international price will reduce the domestic production, in a true competition domestic firms will benefit sovereign advantages. The domestic firms can easily outperform international firms because of the sovereign risk that exist for international firms in the home country.

The variety of products for the customers is another reason for welcomingglobalization. Though primarily it will be difficult for some to have some hard time at the beginning, the continuation of globalization will make the financial markets more advance and the benefits of globalization will spread in the domestic markets to all. Financial globalization opens a chapter of various business opportunities to the investors and a door of variety in goods and services for the customers.

The customers will benefit the cheapest price and the biggest variety available in the world. The reason for such prosperity is the creation of efficiency in the global market. There is always a comparative advantage between any two countries or among any three or more countries who can contribute in making a good or service in an efficient way. Therefore, globalization and integration of financial markets can bring prosperity to the public. After integration of financial markets, domestic investors will have a broad set of options of borrowingmoneyfrom international banks and improve their businesses.

Though international debts takes a huge risk home, but rational investment of the money for a solid economic profit will increase the return with a high probability of success. The main problem of international debts floating in risks is due lack of solid financial system that can track the flow of the capital. Most countries which are in financial crisis and cannot pay their liabilities don't have an advanced financial system that can manage their financial securities. They invest in risky assets and mostly it is because of informational cascade that drives people to investments that are not worthy. It creates bubbles of assets that need to burst one day. One reason for saving the borrowers from risks created by the investors is collateralization of the debts.

The best and a live example would be Iphone the company is in the USA and factories and manufactures the Iphone is in China and assemble in USA these are all the best example of interdependence Costs Of Globalisation.

1. Free Trade can Harm Developing Economies

Developing countries often struggle to compete with developed countries, therefore it is argued free trade benefits developed countries more. There is an infant industry argument which says industries in developing countries need protection from free trade to be able to develop. However, developing countries are often harmed by tariff protection Western economies have on agriculture.

2. Environmental Costs

One problem of globalisation is that it has increased the use of non renewable resources. It has also contributed to increasedpollutionandglobal warming. Firms can also outsource production to where environmental standards are less strict. However, arguably the problem is not so much globalisation as afailureto set satisfactory environmental standards.

3. Labour Drain

Globalisation enables workers to move more freely. Therefore, some countries find it difficult to hold onto their best skilled workers, who are attracted by higher wages elsewhere.

4. Less Cultural Diversity

Globalisation has led to increased economic and cultural hegemony. With globalisation there is arguably lesscultural diversity, however it is also led to more options for some people.

5. Tax Competition and Tax avoidance.

Multinational companies like Amazon andGoogle, can set up offices in countries like Bermuda and Luxembourg with very low rates of corporation tax and then funnel their profits through these subsidiaries. This means they pay very little tax in the countries where they do most of their business. This means governments have to increase taxes on VAT and income tax. It is also seen as unfair competition for domestic firms who don't use same tax avoidance measures. The greater mobility of capital, means that countries have sought to encourage inward investment by offering the lowest corporation tax. (e. g. Ireland offers very low tax rate). This has encouraged lower corporation tax, which leads to higher forms of other tax