

# Economics

Literature, Russian Literature



## The Impact of Globalization on Environmental and Labor Standards

Nowadays it is common to have Chinese workers walking in Wall Street along with Europeans walking with a cup of Starbucks in Lu Jia Zui, which is the Chinese Wall Street. It is also general to see companies from western world set part of their production line in countries such as China and India. For example, Foxconn is the main manufacturer in Asia to produce the spare parts of Apple products. Holding an iPhone in China is the most common thing even though it is not a domestic product. On the other hand, almost every person in the world has the sign “made in China” on products; such as clothing of Nike and electronics devices like iPhone. Globalization is the reason why situations mentioned above happened in the every corner of the world. Globalization shortens the distances between people and countries and makes foreign products approachable for people all over the world. It has huge impacts on both environment and the labor markets in positive ways and negative ways.

Decades ago when people were talking about the consequences of globalization, the positive outcomes always came up first to their mind. It is true that globalization brought us whom are customers a lot convenience and broader options toward products with relatively lower prices. Because of globalization Chinese people can buy European mobiles such as BMWs without going to Europe and drive it all the back from there to China. They can order it from China without even walking out of their house; and probably the car will park in front of their house the next day after they purchased.

Globalization has huge impact on labor standards mainly because it has

provided many job opportunities world widely. Many international firms have their branch companies overseas in order to expand their market and reduce the cost of the company; as a result of this many job positions are provided besides the jobs in the local labor market. Different branch company of a firm has different description of their work tasks by considering the different situations in different areas, such as the different cost of labor and capital. Eventually, the labor standard is specified in each area. Countries like China and India are mainly focusing on manufacturing which needs huge amount of labor and capital such as land; because of the lower cost of labor and capital there. On the contrary, countries such as Germany and United States are focusing on financial services and technology support, which needs people will higher skills. As a result the cost of labor and capital is higher in these countries. However, the consequences of globalization would turn negatively if the situation mentioned above went extreme. The consequence will be that the rich countries like Germany and United States will be richer, along with the developing countries like China and India will go poorer.

At the same time globalization has an influence on the environment in the world. First of all because of globalization, many countries launched factories overseas. Most of time, companies prefer to build their factories in the small cities of developing countries like China and India because of the cheap cost of labor and land, which can be considered as comparative advantages of a country. By making the best use of the comparative advantages of countries, the economic thrive in a short term. Many cities turned out to be industrialized by having factories. However, the phenomenon will be negative if countries take the advantages of their comparative advantages in

an extreme way. The consequence will be heavy pollution of the countries, overdraw of the materials and the extreme cost of transportation.

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A major issue in the world stems from the question of whether globalization is positive or negative for the environment. There are many arguments for both cases, and it is extremely tough to determine the final answer. There are many studies that have extremely different opinions on this issue with evidence to support both arguments. Most economists view globalization as an opportunity for economic growth while a few economists view globalization as a major threat to the environment.

Addressing the positive side of globalization is extremely important because most tend to go straight to the negatives. Globalization forces countries to produce goods in which they have a comparative advantage. Comparative advantage creates a positive effect on the environment because globalization has facilitated the dissemination of practices like improved energy efficiency, less carbon combustion, dematerialization (reducing overall use of materials), substitution of resources with reduced environmental impact, and metal recovery technologies (Socolow, Andrews, Berhhout, & Thomas, 1994; Allenby & Richards, 1994; Graedel & Allenby, 1995). Since globalization leads to increased income, countries have more capital to address issues regarding the environment. If globalization did not exist countries would not be as concerned about the environment because there would be more issues and less capital.

There are many negative impacts on the environment from globalization. The most common issue seems to be that globalization has led to an

increase in the transportation of raw materials and food from one place to another. Earlier, people used to consume locally grown food, but with globalization, people consume products that have been developed in foreign countries. The amount of fuel that is consumed in transporting these products has led to an increase in the pollution levels in the environment. Globalization also leads to the spread of factories around the world, which increases the uses of resources and fossil fuels that are extremely harmful for the environment. Developing countries are also a major concern to the environment. Developing countries are trying to develop as the more advanced countries did, without the constraints of environmental regulations. This forces the developing countries to be more concerned about economic growth and less concerned about the environment. Environmentalists, however, worry that globalization will encourage greater consumption as more goods are marketed to more people, creating artificial needs and utilizing more natural resources (Mander & Goldsmith, 1996). Although globalization theoretically should result in greater efficiency in production, it has caused more surplus and scarcity (Brown, Renner & Flavin, 1998), which points to a less-than-perfect utilization of resources. Overall, there is no real specific way to calculate whether or not globalization is positive or negative for the environment. The obvious tradeoff that comes in to play after researching the topic extensively is economic growth vs. environmental standards. Globalization is obviously extremely important and beneficial in the world, however there are environmental damages that come along with it.

Globalization and Labor Standards

There are two main impacts of globalization on labor standards: first is increasing or decreasing the labor rates and secondly, increasing the economic potential of the overseas markets. It is a proven fact the labor costs in the developed countries such as the United States, Japan, European Union are higher than in the developing economies in China, India amongst others. Globalization has in turn companies pushed these countries to seek these cheaper labor costs in India and china, Nepal, Bangladesh amongst others. The central idea behind the decision to choose overseas cheap labor destinations over home market labor market is the competitive nature of modern business. It is a fact that most businesses have been set up to make profit, yet more profit is derived when costs are at the minimum.

According to Flanagan (535), globalization has resulted into helped to improve working conditions for unskilled labor in areas that were hitherto affected by poor working condition. These companies have brought a new set of labor relations to the areas that were affected by poor working conditions as they impact of globalization on the labor standards is that it reduces the labor rates in the nations that have taken a flight to cheap labor locations.

### Conclusion

In the present times globalization has brought varying nationalities from different parts of the world to work in non-traditional locations. Chinese in America, Europeans in China amongst others. Increasingly multinational companies are setting up shops and offices in overseas markets, in India, china amongst others. Globalization through its tools such as internet and smartphones, air and land transport infrastructure have reduced distances

between nations and businesses, and ensures that foreign products reach overseas markets fast enough and on time. Flower produced in Africa manages to reach Netherlands in twenty four hours. Globalization is the reason why situations mentioned above happened in the every corner of the world and has huge impacts on both environment and the labor markets in varying ways.

In summary the impact of globalization on the environment and labor standards can be understood in two folds. First, the environment, the setting of factories and the continuation of exploitation of resources in overseas areas has increased greater pollution of the environment. Factories and business set in for example in China and India has increased the areas susceptibility to environmental degradation. Hence, while one country might be grappling with the effects of pollution from companies degrading the environment, the same company's flight to a different location would imply spreading the potential for degradation. Further, there is also the positive influence of globalization on the environment, and this is manifested through information sharing, and the use of the internet. These media have proved vital in spreading the need for more conservation of the environment for use by the future generation. In addition, cable networks and channels such as the national geographic amongst others who has worldwide audience has been very instrumental in relaying the message of the need for more protection and conservation of the environment for futures sakes.

Secondly, labor standards has been one of the greatest recipients of globalization as more companies seek more profits, reduced costs and more market. Labor rates have trammled in the west particularly for unskilled

labor of intermediate products as these have been more in abundance and at a cheaper costs in East Asia, especially in India and China.

Work Cited

Flanagan, Robert J. Globalization and Labor Conditions: Working Conditions and Worker Rights in a Global Economy. Oxford: Oxford University Press, 2006. Print.