

# Investigating the winners and losers of globalisation



Globalisation over the past hundred years has undoubtedly made the world more interconnected including closer societies, politics, economies, cultures and the environment. The world has seen all these dimensions influenced by the process of globalisation and the resultant winners and losers. Primarily, the economies of nations around the globe have experienced the most significant globalisation process, with the foundation of this dating back to the 14th century. The globalisation of economies has resulted in numerous winners including most western nations, some third world labourers and international institutions. There have also been many losers including most third world countries, the environment and ironically even most western countries. Thus, it can be said that the globalisation process of integrating nation's economies has had both positive and negative effects on the world.

The globalisation of nation's economies has undeniably improved the lives of millions across the planet, in both developed and developing countries.

Economic globalisation can be defined as the “ process associated with increasing economic openness, growing economic interdependence and deepening economic integration between countries in the world

economy.”[1]By far the major winner from this process has been the citizens and corporations of developed countries. This is due to many factors that have come to fruition in the later half of the twentieth century. Specifically, the roles of transnational corporations, global financial institutions and consumerism all have ties to economic globalisation. Transnational or multinational corporations are corporations that have a headquarters in one country and operate in several other countries. These have been influential in globalisation and have brought much wealth to developed countries. The

largest transnational corporation in the world currently is Wal-Mart Stores, with sales for 2003 reaching 256.33 billion dollars.[2] With a sales figure of this proportion, Wal-Mart took in more money than many developed nation's total gross domestic product. Charles E. Wilson who was a Chairman of General Motors said "What's good for General Motors is good for the country." [3] This quote highlights the positive aspects of globalisation for developed countries as often when transnational corporations win so do developed countries.

Despite the criticisms that surround transnational corporations, they have been directly investing in developing countries and with their expansion into these markets, have actually raised the standard of living in many third world countries. The fourth largest non-financial transnational corporation, Vodafone has a total 207,458 million dollars worth of assets, where a staggering 187,792 million of that is made up of foreign assets. This shows the corporation's expansion into core and periphery countries, bringing technology, employment and higher standards of living. Another example of a transnational corporation creating winners with the globalisation process is McDonalds. This is a prime example of globalization in both the economic and cultural sense, with nearly 50 million people around the world being served daily. The primary economic winner in recent times from McDonald's globalisation process has been East Asia, as in 1975 when McDonald's opened its first restaurant in Hong Kong, it brought with it a high standard of professional service and the first restaurant to continually offer a clean eating environment, which customers came to demand from all restaurants later.[4]

Another lesser-known winner of the globalisation process, are the third world workers employed by transnational corporations. Although the western world sees sweatshops as immoral and unethical, the labourers who work in these places are often being paid a higher wage than most of their fellow citizens. In 2005 in Honduras a developing country, where sweatshops are commonplace, the average apparel worker earned \$13. 10 per day; this is compared to the 44% of the country's population that live on less than \$2 per day.[5] This means through the economic globalisation process and cross border corporations, workers in developing countries have the opportunities to survive and beat the poverty cycle.

The International Monetary Fund and World Bank have both actively been helping the developing countries. This has been occurring through loans, economic re-development and economic management. Both these institutions have played major roles in the economic assistance of developing countries over the past fifty years. A recent example is the World Bank implementing policies to help eradicate poverty through achieving universal primary education for all children. In 2006 a report showed that the United Nations and World Bank invested heavily in government schools in Ethiopia, as a result primary enrolment more than doubled from 22% in 1990 to 47% in 2004.[6] The globalisation of economies has resulted in many winners from the developed nations while also improving improved the standard of living in many developing nations.

While there have been many winners from economic globalisation, there have also been and will continue to be many losers. The primary loser from globalisation has been the developing countries, who have supplied the <https://assignbuster.com/investigating-the-winners-and-losers-of-globalisation/>

labour and raw material necessary to fuel globalisation. In many third world countries, globalisation has had the negative effect of creating sweatshops, where workers are paid low wages to do hard manual labour in often poor conditions. These sweatshops are run by transnational corporations, that have the aim of minimising costs by taking advantage of the relaxed labour laws often in developing countries. An example of a transnational corporation that uses sweatshops is Nike, as its shoes are made in many Asian countries at a low cost and then sold in western countries for a profit. After the goods are sold and the wages paid, the transnational corporations take any profit made back to their headquarters or home country. This leaves the developing countries in poverty as the workers are being exploited for a minimal wage while the country sees very little of the profits. Another, problem associated with economic globalisation, is that citizens of developing countries are leaving their countries in order to achieve higher education, better job prospects and generally higher standards of living. This problem is called the 'brain drain' and has significant economic implications for the countries involved. In the African nation of Ghana, an estimated 68 percent of all trained medical staff left the country between 1993 and 2000. [7]A large majority of developing countries are experiencing the 'brain drain' problem and it is further fueling the poverty cycle, in which globalisation is playing a negative role.

However, not only are the developing countries affected by economic globalisation, the developed countries that are often at the centre of globalisation also experience problems. A major loser that has resulted from the integration of economies specifically in times of economic downturn has

been all economies, including both developing and developed. This is caused by the increasing integration and interconnectedness of economies all over the world, a problem arises when one nation's economy goes into downturn and then due to the integration causes others to go into downturn also. The most recent examples of where this has occurred was the East Asian Financial Crisis of 1997 and the Global Financial Crisis of 2008. In both these situations, a crisis in one country's economy, which was closely interlinked to the world economy, caused severe economic repercussions throughout the world. A subprime lending crisis in the US housing market eventually blew up to trigger the single largest economic downturn since the Great Depression of the 1930s. The effects of this crisis are still being felt around the world today, with trillions of dollars being wiped off share markets, banking institutions collapsing and huge national debts. The problem associated with the integration of nation's economies will be an ever present problem as economic globalisation increases in the future. It can be seen that the primary losers from economic development are developing countries; however, developed countries can also be losers.

Another significant loser from economic globalisation is the environment; this problem affects all countries on the planet and has been getting worse over time. The environment has been abused and neglected since the beginning of the industrial revolution and today is currently at a precipice. Developed countries are the worst offender when it comes to the abuse of the environment. In recent times, the economies of China, India, Russia and Brazil have started rivaling the world powerhouse economies of America and Europe in terms of carbon dioxide pollution and environmental degradation.

The primary environmental concern of recent has been the effects of increased carbon dioxide emissions and the effects on the level of greenhouse gases in the atmosphere. The resultant effect of a buildup in greenhouse gases will have serious problems for everyone including rising sea levels, extreme weather events, polluted oxygen and many more problems[8]. These problems have ties to economic globalisation; this is due to many developed countries and transnational companies using limited resources and resultant pollution. Economic globalisation has been the driving force for sustained economic growth in both developed and developing countries. Along with this the need of transnational corporations to gain greater profits and expand into new markets has further increased the consumption of scarce resources and increased emissions. This is evident by the fact that developed countries are some of the worst polluters with America, Canada, Australia and New Zealand the top four emitters of carbon dioxide per capita and population in 2000.[9]However, developing countries are also increasing their emissions and speeding up their depletion of natural resources. In Brazil between 1978 and 1988, annual rainforest clearance rose from 78, 000km squared a year to 230, 000km squared. [10]The Amazon rainforest is considered the lungs of the earth and provide the vital task of helping to remove pollution from the atmosphere. This means that the increasing economic globalisation has continued to assist developed countries achieve higher levels of consumerism and has helped developing countries achieve record levels of economic growth, which has actually had a very negative effect on the environment. This negative effect means that both developed countries and developing countries are both losers as globalisation makes its mark on the earth's environment.

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There are positive aspects of globalisation as seen in developed countries, also now many developing countries are to some degree enjoying the benefits. In saying that, developing countries are still being generally exploited by transnational corporations and the developed world. Similarly, the planet's environment is still being expended at a faster rate than it is being replenished or replaced and will surely cause problems for future generations. Therefore, if changes are not made to the mode and medium of economic globalisation, the costs will soon outweigh the benefits.