

Globalization: prosperity or poverty

[Economics](#), [Globalization](#)



Globalization is a word that has recently become a commonplace in two different ways. Firstly globalization inspires visions of global village, a place where by all citizen of the world is linked together with hightechnologysystem.

On the other hand, globalization is the one of the consequence that local factory closed down and re-open at another corner of the world where the country with cheap labor and weaker environmental law. Globalization as it exists today is not fully understood and impacts are unclear. It is because globalization has wide variety of combinations that affecting every aspect of life. In this report aims to explore world issues to analyze two statements: prosperity andpoverty. Throughout this report many of the issues that will be examined by four important issues which influence prosperity and poverty in farther chapters; Economical, Technological, Political and Cultural Globalization. Economic Globalization Changing Economies In the past, a company tended to be identified with one particular country. For example Toyota started with their ownership, production and their market were primarily located in Japan.

Today in the globalized world, growing number of huge companies including Toyota, are Multi National or Transnational in nature. Since they have integrated operations across the world. They maximized their work. The economist Karl Marx's quotes " The working men have no country" (Marx, 2002, Pg. 17) pretty much make sense of this. According to Fortune magazine publishes a list of the Global 500, which contains the 500 largest companies in the world based on their annual revenues. For example, In 2008 Toyota's revenue of USD 230 billion is comparable to the size of the

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entire economy of Bangladesh's GDP of USD 224 billion with 156 million population.

(CNN, n. d. and CIA, n. d.) As we can see the number of GDP in the process of globalization, the wealthy is based on own stability. The gap between rich who move their production and capital, seek markets everywhere in the world that benefit the company. Those own stability comes from competitiveness in Knowledge Economy (K-Economy) based on technology.

Those who can expend and apply new knowledge and defined trends early, and quickly create competitive advantages that produce much greater global wealth which will leads higher standard of living. World Trade and Income Inequalities In 2003 statistics (Norton, 2007) stated that, the richest fifth of the world's population received 85% of the total world income, while poorest fifth received just 1. 4% of global income. The wealthy countries has high percentage of open trade and investment. Which reduced the bargaining power of unskilled workers to gain the lower wages and increased inequalities between wealthy and poverty countries. For example in the United States, there is rising income inequality due to increased of population migration. On many occasions for those migrants legally or illegally, they order to find jobs and improve their standard of living.

However decreasing number of job opportunities for less-skilled native citizens of the United States. In addition, corruption of Cameroon is part of increasing in the country income inequalities due to poor governance, poorfinanceadministrations and tax evasion and exemptions that disproportionately connected to wealthy population groups. (Harford,

2006) Technological Globalization Impacts of Innovation and Technology The technological globalization has been always produced revolutions in the way in which people live. Today we are more referring primary to communications. This has occurred because of non-stop growth of communications revolutions as well as computer technology in the past few decades. The impact of this technological revolution affects everyone of the world almost every single seconds. We are able to communicate with much of the world, by phone and the Internet instantly and cheaply.

By the technology many of factories' manpower are multiplied many times by the use of external power or machinery sources. It can increase lack of job opportunities for low skilled labors in wealthy countries due to substitutes technology progress and cheap skilled labors in poor countries and also, evolve on communication tools many of wealthy countries are more willing to do outsourcing because technology is so widely available and increasingly inexpensive. (Harford, 2008) Technology Transfer in Low-Income Countries In a globalized world, the poorest countries should gain most from new technology and infrastructure. Globalization has huge improved access of technology easily, introduce latecomers to advanced technologies and to the extent that technological up-grading, it provides a unique opportunity for low-income countries to raise per capita income. To raise the benefits reaped from technology, governments might need to make additional efforts towards the Foreign Direct Investment (FDI), an effective international economic system that major contribution for country development. FDI is basically dominated by the small number of producers and each one of small business can influence prices and affect competitors. The FDI is affecting

everything on economics that it exists everywhere where by related to trade barriers, in part to avoid the uncertainties in supplies, and with external market.

For example in Malaysia, multinational companies such as Hewlett-Packard (HP) and Intel Corporation are transferred certain degree of technology and also the skill of management to Malaysians. But the other hand, companies such as Mitsubishi and Acer, they only transferred the manufacturing techniques, all R&D and Marketing are left behind in their home countries which are Japan and Taiwan. (Guerrieri, 2001) ?? Dr. Mahathir states that the bottom line is that no country in the world would want to reveal away their trade secret and transfer on the latest technology because they are also in the survival and global competition. Poor countries should have to be smart instead of quarreling amongst themselves on rights and policies.

(chedetblog, 2009) Political Globalization Neo-Liberalism affect on Poverty and Prosperity As the world's countries become more independent technologically and economically all countries are adopting similar regulations and opened their economy to the world. For example, Association of Southeast Asian Nations (ASEAN) linking powerful economic and political co-operation with Brunei, Indonesia, Malaysia, Singapore, Thailand and the Philippines.

The ASEAN meant that many countries cut government expenditures, reduce economic regulation, privatized government operation among countries and opened their economies to the world. I feel that neo-liberalism which gets rid of trade and other barriers allow less wealthy countries to speed their

transitions towards maturity. However globalization is designed to help transnational companies by allowing them to move their production to less developed countries that have cheap, unregulated labor and low standard. For opponents of neo-liberalism is no more excuse for sweatshops and high profits. And also the number of homeless people in neo-liberalism countries has grown. The country such as the United States under previous President George W. Bush had faced challenges as a result of the terrorist attack on September 11th 2001.

There was huge damage to the US economy. Worst affected was air travel industry and laid off many thousand of employees, and called for billions of dollars of aid from government to help them survive. (James, 2008) I think government who truly believe in allowing the industry to work would not provide support by rescue packages. Alternative is that competition within the reduced scope of industry to decide some companies would disappear or merge. Figure 1. The United States: Domestic Airline Passenger Revenue – Miles http://static.seekingalpha.com/uploads/2009/2/12/saupload_airlines_6.jpg

Heavily Indebted Poor Countries and Exclusion The world's poorest countries are always encouraged to borrow from World Bank (WB) or International Monetary Fund (IMF). The idea is that wealthy countries would invest in projects that could produce an economic return sufficient to repay the loans. As Dr. Mahathir state that the idea would not be happen without education of people and stability of government. (Mahathir, 2008) Therefore, a group of 40 Heavily Indebted Poor Countries (HIPC) today got a huge amount of debt and annual

interest that they can not afford to pay back. (The World Bank, 2009) UK-based Non-Governmental Organization (NGO) named Jubilee Debt Campaign which working for 100% cancellation of un-payable debt for poor countries of those, Bolivia, Burkina Faso, Ethiopia and more African countries.

(The Jubilee Debt Campaign, 2009) Figure 2. Literacy Rate Source: UN Human Development Report 2008 Africa is poor partly because of the poor development in the country. The country or government does not know how to gather income from foreigners. India and China were used to be poor, but they were trying to attract themselves in more foreign investors. However, NGO might mismanaged the way of supporting Africa. Cultural Globalization Wrong Culture at the Wrong Place The strong economic freedom and money orientation which characterize the wealthy country's model it is simply because they are backed by a relatively well educated mass and an effective law enforcement and judicial system. Geoffrey, 2004) However, WB or IMF recommend to adopt this culture to less fortune countries, chances of economic will be failed.

To go the wealthy way will be good for minority who knows how to take advantage of economic freedom. Which means the wealthy way of democracy and market economy is rarely the right solution in less wealthy countries because of the strength of communitarian values and needs of maintain cultural identification. As Harford says, most of governments in Africa are not working very well. The only hope is to make work to preserve national culture while developing the economy, and this is possible only through educating the masses and making the right collective decisions.

(Harford, 2006) In the globalized world, wealthy countries should understand what that balance is collective decision, which varies by time and place.

Conclusion: Alternative to the Future No matter how much money we give to less prosper countries it's might only enough to cover all their medications or food cost and does little to help in the progress of their infrastructures. I found out in this report money is ineffective without understanding to use them.

When a country is undeveloped the government should responsible to bring better life to their people, after World War II Japan was one of high poverty country which lacking of human, technical and mainly lack of natural resources. Along the way Japan improved education, technology and infrastructure. Just like what India and China is doing today. Dr. Mahathir said, the Western way of democracy and market economy is rarely the right solution in East Asia because of the strength of communication values and the need to maintain many of cultural identification. (Abdullah, 2008) I believe the homeless person in the Western countries have more freedoms, wealth and more opportunities than those majority in the hard-core poor countries. Perhaps those in the Western countries wish not to be aware of how difficult life is in the poor world.

We are in danger of becoming selfish, uncaring and overly materialistic in globalization era. Another findings are most of people in undeveloped countries are tend to think that a country can develop under the guidance of international organizations such as WB and IMF, but this is not correct. Those help from global institution might be effective but they cannot guide each

one of less fortune countries' economy for long-term. In the short run, undeveloped countries should look into economic development internally. People must be educated and the government must be made to work. But it does not mean by going to the Western way, which emphasizes individualism and profit orientation. (Harford, 2006) The real question in this report was that how to make globalization consistent with the institutional as well as the manpower requirements necessary for increased productivity in less developed countries.

As a result an American journalist Thomas Friedman suggest that globalization worked well in a world where by majority of countries opened up in a similar functions to be flattened into more open model. (Friedman, 2007) In the end, the wealth has not been evenly spread, but it is slowly improve, because India and China have done most of the difficult parts. All people have real choices, in the globalization era more choices mean something better quality of life for each of global citizens.