

# Globalization of trade

Business



It is no doubt that the world is increasingly becoming globalized. The business is equally not left behind.

Open markets and free trade are some of the development that has recently taken place in the business world. However, sharp criticisms have arisen against open markets and free trade with claims that powerful corporations and countries have taken all over the world market to serve their own interests. From a business perspective, globalization can be defined as the process of worldwide economic integration. Specifically, businesses are interesting in knowing the importance as well as the challenges of being globalized. This paper seeks to understand the impact of globalization of trade. A lot of emphasis shall be placed on how businesses have become globalized and the challenges that such businesses have to face.

The paper shall also seek to highlight the advantages that globalized businesses enjoy. We shall focus on the role of American businesses in the globalized economy. Lastly, we shall have a look at how the modern trade is adapting to the global market and also identifying the factors that hinder international trade. Many businesses opt for globalization so as to increase their sales, expand their markets and increase their profits. Free trade agreements and open markets have greatly facilitated such activities which in turn has fostered economic globalization.

However, the trade agreements vary in scope. Some are multilateral, others are bilateral and some are regional. For instance, the World Trade Organization is body that comprises of 120 nations drawn from all over the world. Other trade agreements include US-Israel Free Trade Agreement,

North America Free Trade Agreement (NAFTA), and United States- Canada Free Trade Agreement. These agreements have been very instrumental in enhancing major activities of various companies.

Such activities include joint ventures, distribution systems, regional collaborations between and among many businesses, and franchising.

Aviation Business That Operates in the Global Market An example of aviation business that operates in the global market is the Global Aviation Holding, which is a mother company of World Airways. It is mainly concerned with international transport across various continents including Asia, North America, and Europe. The Global Aviation Holdings also provides air transport to US military, interational corporations, international cargo carriers and various tour operators. Its branches, World Airways and North American Airlines operate flights in over 120 countries all over the world.

How American Businesses Took Part in the Globalization of Trade Americans have viewed globalization of trade as carrying both positive and negative impacts.

However, the positive impacts of globalised trade outweigh the negative impacts. Several bodies such as World Bank, International Monetary Funds, and GATT (General Agreements on Tariffs and Trade) have significantly increased free trade which has replaced protectionism. To the Americans, globalization has fosters international relations which in the essence has increased their trade services, agricultural products as well as manufacturing industries. America has been among the key players in international trade. Pepsi-Cola and Coca-Cola sell their products in numerous countries across the globe. There is no clear definition for a globalised business.

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However, various businesses across the globe can be termed as globalised by the virtue of their participation in the global market or international trade. Such businesses have distinguishing outlook or characteristics that show that they operate in the global market. Some examples of business that are globalised include TNT Express Worldwide, Canon, Electrolux, Waste Management, Inc, Banque National' de Paris, Royal Trust, and many others. A group of researchers have identified four major characteristics that distinguish a global business.

To begin with, research and development, manufacturing, logistics, and marketing are carried out, based on a global and holistic plan. The headquarters of global business are not restricted to their boundaries, but rather it is very transparent to all its clients. The third characteristic is that global businesses often adjust their orientations so as to meet the needs of the local clients. It is, therefore, very important to uphold understanding and cultural diversity. Lastly, global businesses always endeavor to strike a balance between the needs of the local clients and their global system.

These four characteristics are very crucial in identifying a global business. Without them, no business can operate in the global market. It is empirically evident that globalization of trade has enhanced global economic growth. The first major advantage of unrestricted foreign trade is increased access to a large international market. Local producers often focus on efficiency in their production due to specialization and the stiff competition, which is evident in the global market.

International trade also offers consumers a wide variety of goods at reasonable prices. Countries that are actively involved in international trade always benefit from the new technology that spills over to it from its trading partners in terms of production equipments. Such technologies enable developing nations to catch with the developed nations quickly and efficiently in regard to productivity. In America, globalization of trade has resulted into cultural homogeneity. That is, a common global market creates common consumer preferences, common bodies of information, and common demands which give producers as well as consumers a chance to blend their cultures and erode their cultural diversity. Globalization has also fostered industrialization, which resulted from economic globalization.

However, this has created adverse environmental effects such as pollution. For instance, the US/Mexican border has faced serious environmental problems related to pollution. These problems are also replicated in developing nations. This has caused many environmentalists to oppose international trade as well as trade organizations and agreements such as WTO, NAFTA, and APEC. Other devastating effects of globalization include increase of the gap between the rich and the poor.

In free trade, many developed nations often take advantage their technology prowess to pull down the developing nations. This is basically because of the unfavorable pricing and competition in the global market, which does not favor local producers from the developing nations. This is quite evident in Latin America, Argentina and Brazil. With globalization, a shake up in the economy of one nation affects other nations as well. For instance, the economic woes that faced East Asia and Latin America were felt globally.

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The United States has been the central power behind globalization. In addition, it has greatly benefitted more than any other country in the world. As a result, many of woes that are associated with globalization are blamed on the US as a superpower. There is a proposal of regionalization which is aimed at shifting as well as balance the economic power from the United States and spreading to other less developed economies in Asia and Latin America.