International Journal of Business Quantitative Economics and Applied Management Research

Volume-6, Issue-10, 2021 ISSN No: 2349-5677

GLOBALIZATION AND ITS IMPACT ON WORLD ECONOMY

Ankit Srivastava
Ankit1985sri@gmail.com

Abstract

Essentially, globalization creates a more interconnected global market with both opportunities and challenges depending on the country and industry involved. It has a significant impact on the global economy by increasing international trade, investment, and the movement of goods, services, and capital across borders. This can have both positive effects, such as economic growth and job creation in developing countries, as well as negative effects, such as income inequality and job losses in certain sectors within developed nations due to increased competition from cheaper labor markets abroad.

Keyword – Globalization, developed economy, developing countries, WTO, trade

I. INTRODUCTION

There is strong evidence that as nations of various sizes and geographical locations "globalize," their citizens gain access to a greater range of goods and services, reduced costs, more and better-paying jobs, better health, and higher living standards overall. The fact that the percentage of developing nations living in extreme poverty—defined as making less than $1 per day—has decreased by half over the past 20 years as many have opened up to the forces of the global economy is most likely no accident.[1]Increasing economic integration from the national to the most local levels is a component of globalization, which facilitates cross-border movement of people, capital, information, and technology as well as international trade in commodities and services. The advantages and disadvantages for the United States and other nations are examined in this article.

II. WHAT IS GLOBALIZATION

The historical process of economic "globalization" is the outcome of technological advancement and human ingenuity. It describes how economies around the world are becoming more integrated, especially as a result of cross-border trade in capital, goods, and services. Occasionally, the phrase is used to describe the flow of people (labor) and information (technology) across international boundaries. Globalization also has more extensive cultural, political, and environmental facets.

There are countless indicators that illustrate how goods, capital, and people, have become more globalized.

International Journal of Business Quantitative Economics and Applied Management Research
Volume-6, Issue-10, 2021 ISSN No: 2349-5677

- The value of trade (goods and services) as a percentage of world GDP increased from 42.1 percent in 1980 to 62.1 percent in 2007.
- Foreign direct investment increased from 6.5 percent of world GDP in 1980 to 31.8 percent in 2006.
- The stock of international claims (primarily bank loans), as a percentage of world GDP, increased from roughly 10 percent in 1980 to 48 percent in 2006.1
- The number of minutes spent on cross-border telephone calls, on a per-capita basis, increased from 7.3 in 1991 to 28.8 in 2006 [2]

III. GLOBALIZATION IN DEVELOPING COUNTRIES

Globalization aids developing nations in addressing the rest of the world's economic progress and resolving their own poverty issues. Trade barriers formerly prevented emerging nations from accessing the global economy. They are unable to experience the same rate of economic expansion as developed nations. However, as a result of globalization, the World Bank and International Management push for dramatic changes and market reforms in underdeveloped nations through massive loans.Globalization has had an impact on developing nations including China, India, Iraq, Syria, Lebanon, Jordan, and several African nations. Whether in a favorable or negative way, globalization has helped these nations' economies. numerous negative customs and practices have been abandoned, and the amount of direct foreign investment has grown, but globalization has also had numerous negative effects on these nations. Language and expressions have altered, and many cultures and customs have vanished, including traditional attire. Additionally, the effects of globalization have led to an increase in drug misuse and violence as well as the spread of numerous fatal diseases. [4]

Developing nations can better control the volatility of their output and consumption with the aid of financial globalization. In fact, a number of theories suggest that as financial integration rises, consumption volatility should reduce in relation to output volatility; the fundamental idea behind global financial diversification is that a nation can shift a portion of its revenue risk to international markets. Since the majority of developing nations have more specialized output and factor endowment structures, they could theoretically benefit even more from international consumption risk sharing than developed nations—that is, by essentially selling off a portion of their domestic output in exchange for a portion of global output.

IV. GLOBALIZATION FINANCIAL MARKET

In recent years, globalization has dramatically increased in the world's financial markets. Between 1980 and 1995, global capital flows varied between 2 and 6 percent of global GDP. from then, they have increased to 14.8 percent of GDP, reaching $7.2 trillion in 2006, more than tripling from 1995. Advanced economies have seen the most growth, but underdeveloped nations and emerging markets have also seen greater financial integration. More investment capital has been drawn to nations with stronger capital markets, which can promote economic growth, permit a more effective distribution of capital, stimulate international risk sharing, and allow for the emergence of a larger entrepreneurial class.[1]

V. WTO

The advantages of international commerce have remained unequally distributed even after the WTO was established. The growing marginalization of developing nations, especially the LDCs, is indicative of this. It was acknowledged that the current WTO rules and structure were not created with the capabilities, requirements, and interests of developing nation members in mind. Consequently, developing nations encounter many kinds of issues under the WTO framework: First, numerous agreements and some significant systemic elements are skewed against their interests. Second, the Uruguay Round has not produced the expected advantages for developing nations.Third, developing nations encounter challenges in carrying out their responsibilities under the regulations, which include those related to intellectual property, investment policies, subsidies, and agriculture. It was observed that the Uruguay Round's addition of "new issues" to the trading system at the time was the cause of many of the significant implementation concerns. Fourth, developed nations are putting tremendous pressure on them to agree to increased responsibilities on "new issues" including government procurement, competitiveness, investment, and labor and environmental norms in order to negotiate new accords. Fifth, the decision-making process is frequently opaque, particularly during the planning and execution of ministerial conferences. This makes it further harder for poor nations to participate because of their limited capabilities.[7]

VI. GLOBALIZATION CONCERNS

Recent data indicates that trade liberalization causes the income gap between the educated and the uneducated to widen, both in emerging and OECD nations. For six of the seven Latin American nations for which we have reliable salary statistics, wage inequalities widened between 1991 and 1995. Costa Rica is an anomaly, with comparatively high levels of schooling. It appears that the globalization of markets and technological advancements are driving up the demand for and premium for skilled labor at a faster rate than the educational system can produce skilled and trainable individuals. [6]Many workers in developed economies felt left behind, performing worse than their parents, even if the average person in the world was doing better by the end of the decade. These distributional effects, which have a clear geographic component and are well documented in economic research, were worse for communities that were protected from imports than for communities that were more exposed to import competition from low-wage countries due to preexisting spatial industrialization patterns.

VII. GLOBALIZATION GOVERNANCE

The unrestrained pursuit of national, short-term interests by some significant industrialized countries is having a significant impact on the growth prospects of developing nations during this period of rapid change, especially in the areas of commerce, money, and finance. Deep concern was voiced that non-democratic mechanisms and regulations put in place under these conditions would eventually prove unsustainable and do more harm than good to attempts to establish a system of governance that fortifies international peace and security and establishes a framework of laws and institutions that promote development.There was also discussion of the

International Journal of Business Quantitative Economics and Applied Management Research
Volume-6, Issue-10, 2021 ISSN No: 2349-5677

Secretary-General's and the UN secretariat's roles in this period of fast growing globalization. The development of the concept of security and the revolution in communications have greatly expanded his function as a global moral conscience. In order toassist steer this significant transformation and protect the future of the less powerful negotiating partners, this role must be played sensibly, devotedly, and actively.

VIII. CONCLUSION

By examining the existing empirical evidence and national experiences, the study aims to inform the debate on the potential and actual benefit-risk trade-offs associated with financial globalization, rather than to provide new policy proposals. The primary findings state that there is now little solid evidence to support the claim that financial integration boosts growth rates and lowers macroeconomic instability in developing nations.In most nations and areas, income inequality has increased throughout the last 20 years. While earnings for the relatively well-off have climbed more quickly, per capita incomes for even the poorest parts of the population have improved in almost every location, showing that the poor are actually better off during this globalization phase. The glaring disparity between the wealthiest and poorest people in various places is demonstrated by consumption data from groups of developing nations.Globalization has, in general, greatly benefited the planet. It is appropriate, however, that society as a whole, which stands to gain, bear some of the costs of those who lose as a result of globalization through programs like Trade Adjustment Assistance, since the adjustment needed to achieve the benefits of increased globalization can be expensive for individuals.

REFERENCES

1. IMF EXTERNAL RELATIONS DEPARTMENT, May 2008
2. IMF and International Telecommunications Union data.
3. Robert L. Thompson, Federal Reserve Bank of Chicago, March 2007
4. Fairooz Hamdi, LinkedIn, June 2015
5. Eswar S. Prasad, Kenneth Rogoff, Shang-Jin Wei, and M. Ayan Kose, International Monetary Fund,September 2003
6. Nancy Birdsall, Carnegie on March 18, 1999
7. Social Watch, Geneva,September 2001