

Episteme: an online interdisciplinary, multidisciplinary & multi-cultural journal

Bharat College of Commerce, Badlapur, MMR, India

Volume 3, Issue 2

September 2014

IMPACT OF GLOBALIZATION ON DEVELOPING COUNTRIES

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ABSTRACT

Globalization has brought great changes in all the sectors of the world. It has made the world a global village. With the technical revolution, the world has become one market. But it has mixed effects on developing countries. The paper talks about the darker as well as the brighter side of the change. The positive as well as negative impact of globalization is talked about in the paper. The paper concludes with the suggestion to create a framework for the cooperation among nations on many economic and non-economic issues.

Impact of Globalization on Developing Countries

Introduction

The term "**globalization**" began to be used more commonly in the 1980s, reflecting technological advances that made it easier and quicker to complete international transactions—both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity—village markets, urban industries, or financial centers.

Economic "globalization" is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term also refers to the movement of people (labor) and knowledge (technology) across international borders. There are also broader cultural, political, and environmental dimensions of globalization.

Globalisation began in the latter part of the 20th century. Southeast Asia embraced the free-market system, trade barriers were dismantled and free trade allowed competition to spread around the world.

In India, major measures were initiated as a part of the liberalisation and globalisation strategy in the early nineties. These included, scrapping of the industrial licensing regime, reduction in the number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade practices act, start of the privatisation programme, reduction in tariff rates and change over to market determined exchange rates. Over the years there has been a steady liberalisation of the current account transactions, more and more sectors opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, ports, airports, insurance and other major sectors.

Consequences of Globalisation:

The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in interdependence in regard to trading in goods and services and in movement of capital. It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world.

The effects of globalization on the developing countries

The process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution and poverty.

Positive Globalization Effects

- liberalization increases flows of trade and finance;
- trade increases growth, especially in poorer and developing countries;
- growth increases incomes, especially for the poor, so eventually there is a convergence of wealth;
- Higher incomes for the poor means better living conditions.

Negative Globalisation Effects

- increasing poverty;
- widening socio-economic inequalities within and between countries;
- creating greater job insecurity;
- weakening workers` rights;

- undermining social welfare and environmental protection;
- Weakening democracy by enabling a global ruling class to act without sufficient transparency and accountability.

The Impact of Economic Globalization on Developing Countries

The Brighter side

Foreign Capital

Financial and industrial globalisation is creating new opportunities for both industrialized and developing countries. Its largest impact has been on developing countries, who are now able to attract foreign investors as well as substantial amounts of foreign capital.

Increased Standard of Living

Economic globalization gives governments of developing nations access to foreign lending. When these funds are used on infrastructure facilities like roads, health care, education, and social services, then the standard of living of the people in such countries increases.

Access to New Markets

The benefits of globalization have been an increase in product variety for consumers, lower prices and improved quality of products. Globalisation also allows the best practices of production to get disseminated across political boundaries. Globalization leads to freer trade between countries. This is one of its largest benefits to developing nations. Domestic industries see trade barriers fall and have access to a much wider international market. The growth this generates allows industries to develop new technologies and produce new products and services.

Greater Consumer Choice

A core element of globalization is the expansion of world trade through the elimination or reduction of trade barriers, such as import tariffs. Greater imports offer consumers a wider choice and greater variety of goods at lower prices, while providing strong incentives for domestic industries to remain competitive.

Increased Exports and Trade

Exports, often a source of economic growth for developing nations, stimulate job creation as industries sell beyond their borders. Moreover, trade enhances national competitiveness by driving workers to focus on those vocations where they, and their country, have a competitive advantage. Trade promotes economic resilience and flexibility, as higher imports help to offset adverse domestic supply shocks. Greater openness can also stimulate foreign investment, which would be a source of employment for the local workforce and could bring along new technologies—thus promoting higher productivity.

Competition leads to Improvement

The growth in global markets has helped to promote efficiency through competition and the division of labor—the specialization that allows people and economies to focus on what they do best. Global markets also offer greater opportunity for people to tap into more diversified and larger markets around the world. It means that they can have access to more capital, technology, cheaper imports, and larger export markets.

The Impact of Economic Globalization on Developing Countries

The Darker side

Income Inequality

While an influx of foreign companies and foreign capital creates a reduction in overall unemployment and poverty, it can also increase the wage gap between those who are educated and those who are not. Over the longer term, education levels will rise as the financial health of developing countries rise, but in the short term, some of the poor will become poorer. There will be wide disparity of income. Not everyone will participate in an elevation of living standards.

Decreased Employment

The influx of foreign companies into developing countries increases employment in many sectors, especially for skilled workers. However, improvements in technology come with the new businesses and that technology spreads to domestic companies. Automation in the manufacturing and agricultural sectors reduces the need for unskilled labor and unemployment rises in those sectors. If there is no infrastructure to help the unemployed train for the globalized economy, unemployment may increase.

Conclusion

The risks of Globalisation are not a reason to reverse direction but to embrace policy changes to build strong economies and a stronger world financial system that will produce more rapid growth and ensure that poverty is reduced.

The broad reach of globalization extends to daily choices of personal, economic, and political life. For example, greater access to modern technologies, in the world of health care, could make the difference between life and death. In the world of communications, it would facilitate commerce and education, and allow access to independent media. Globalization can also create a framework for cooperation among nations on a range of non-economic issues that have cross-border implications, such as immigration, the environment, and legal issues. At the same time, the influx of foreign goods, services, and capital into a country can create incentives and demands for strengthening the education system, as a country's citizens recognize the competitive challenge

before them. Perhaps more importantly, globalization implies that information and knowledge get dispersed and shared.

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