



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 8.4
IJAR 2021; SP7: 39-42

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(Special Issue)

“Twenty-First Century: Cultural and Economic Globalization”

Economic Globalization: Types and Its Positive & Negative Impacts

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DOI: <https://doi.org/10.22271/allresearch.2021.v7.i7Sa.8660>

Abstract

The study of this paper related to globalization and the main concerns on Economic globalization which is referred to the mobility of people, capital, technology, goods and services internationally. Economic globalization includes those people. They are well familiar with the international economic situation. Are several characteristics such as competence of the legal and cultural structures of other nations, foreign languages and advanced technology. In simple words, Economic globalization is related to the increasing interdependence of world economies which results in the growing scale of flow of international capital, cross-border trade of commodities and services, and wide and rapid spread of technologies. This paper explores how the natural types of globalization are negative and positive impacts on economic globalization. Economic globalization involves a wide variety of processes, opportunities and problems related to the spread of economic activities among countries in the world.

Keywords: Types, positive impact, negative impact, effects of economic, globalization

Introduction

Economic globalization is considered as a broad international movement of goods, capital, services, technology and information. It is the growing economic integration and interdependence of local, regional and national economies worldwide through the intensification of cross-border movement of goods, services, technologies and capital. Economic globalization mainly involves the globalization of production, finance, markets, technology, organizational systems, institutions, corporations and labour. Economic globalization describes the process of increasing integration between local, national and regional economies and markets. Economic globalisation describes the process of growing integration between local, national and regional economies and markets.

The globalisation process can be understood by terms of intensity, extensity, velocity and impact:

- Intensity refers to an increasing number, consistency and magnitude of interactions between local, regional and national economies.
- Extensity refers to the stretching of economic interconnections across the globe and the integration of more and more local, regional and national economies into the global economy.
- Velocity refers to an increasing speed at which economic interactions occur and connections can be made.
- Impact an increasing magnitude, extent and speed of economic integration mean that local and national events can have global consequences likewise local and national events are rapidly shaped by incidents occurring on the other side of the planet.

Elements of economic globalization

Elements of economic globalization are as follows:

1. International trade: The growing share of spending on goods and services is dedicated to imports and a growing share of what countries produce is sold as exports.

The vital of International trade lies at the root of the economy of a country. In the constantly changing business market, countries are now more interdependent than ever on their partners for importing and exporting, thereby keeping the home economy of the country healthy and afloat. For example, the Economy of China is heavily dependent on the exportation of goods to the United States, and the Customer base of the United States who will buy these products.

2. Foreign direct investment (FDI): According to the United Nations, FDI is defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor". Direct investment in constructing production facilities, is distinguished from portfolio investment, which can take the form of long-term capital flows and short-term capital flows.

3. Capital market flows: In many countries, particularly in the developed countries, investors have increasingly diversified their portfolios to include foreign financial assets such as international bonds, stocks or mutual funds, and borrowers have increasingly turned to foreign sources of funds. Capital market flows also include remittances from migration, which typically flow from industrialized to less industrialized countries. In short, the entrepreneur has a number of sources for funding a business.

4. Migration: Migration can benefit developing economies when migrants who acquired education and know-how abroad return home to establish new enterprises. Migration can harm the economy through brain drain, the loss of skilled workers who are essential for economic growth.

5. Diffusion of technology: Innovations in telecommunications, information technology and computing have fewer communication costs and facilitated the cross-border flow of ideas, including technical knowledge as well as more fundamental concepts such as democracy and free markets. The rapid growth and adoption of information and communication technology (ICT), however, it is not evenly distributed around the world. This gap between information and communication technology (ICT) is referred to as the digital divide.

As a result, for less industrialized countries this means it is more complex to advance their businesses without or lack the technical system and knowledge in places such as the Internet, data tracking, and technical resources already existing in many industrialized countries.

Types of economic globalization

Each business follows its own globalization type. The natural types of globalization are type 1a, type 1b, type 2 that are not responsible for the negative social consequences such as unemployment and type 1c & type 3 are responsible for the socio-political consequences.

1. Type 1a

Type 1a that is globalization of commodities, is characterized by global price building inefficient dedicated market places and they are mainly characterized by unidirectional material flows from countries of origin to the industrialized countries of transformation. The preference

for a raw material compared to another depends on the latent value of a specific resource compared to another substitute resource. This also takes into consideration the environmental impact or the end of cycle aspects.

2. Type 1b

Type 1b that is globalization of specialties is characterized by bidirectional flows of the same products between different economies. Similar but differentiated products are produced by different competitors in different countries. The preference for one product compared to another depends on the cost-benefit perception of the customer which can be translated to the competitiveness factor of differentiated products of a producer. This competitiveness factor describes a comparative competitive advantage that allows modeling the behaviour of economic actors for differentiated products. The higher the competitiveness factor is, the higher the market share of the producer.

3. Type 2

Globalization products depend on the intrinsic market fragmentation of the business. This market fragmentation is given by characteristics of the product and related transaction mechanism as well as its transportation cost.

4. Type 1c

Type 1c is based on the price differential of the same product with low differentiation properties between two economies. It is interesting to note that the propensity of type 1c globalization is not based on volume and growth but first on the price difference and secondly, on capacity utilization. The absolute cost advantage is the most evident driving factor for type 1c globalization. We can say that the resulting driver is the propensity for globalization.

5. Type 3

Globalization is modeled by the comparative skill of labor that is the level of skills available and the respective cost as well as the cost to transfer the service in question to the economy with lower cost.

The theory of factor allocation in this particular case labour follows the same theory valid for economic goods. Type 3 globalization deals with the supporting function within a company. The main driver for the transfer of service functions to low-cost countries is the cost of salaries including the social contributions for white-collar workers. Changes in considerations, according to experiences made, can even overweight the labour cost advantage and lead to outsourcing being reconsidered. This type of globalization is increasing not only for the supporting functions but also for every service based on human skills where the service can be supported by the new telecommunication possibilities.

Positive impact of economic globalization

1. Beneficiaries of economic growth

Globalization offers growing business opportunities for both developed and developing countries. For developed countries, by having access to foreign markets, can sell their products to a different market. On the other side of the coin, the economies of developing countries are mostly based on products that are sought after in developed countries. Developed countries do not or cannot produce these products cost-efficiently. Therefore, both parties benefit.

2. Multinational organizations

Often seen as the drivers of globalisation, are beneficiaries but also facilitators of economic globalisation. Their role is also highly controversial, but as 80 per cent of international trade is connected to at least one MNO, it is evident that they are driven by profit.

3. Access to new markets

Access to new markets is mutually beneficial as trade is voluntary, when people buy products, both seller and consumer are better off once the deal is conducted. Developing and developed countries can benefit equally from minimal restrictions on trade.

4. End-users of a product

Globalisation increase possible consumer choices to almost an infinite number in consumerist societies, the demand for cheap products is so high that in fast competition, even cents would count. Through globalisation consumers not only get cheaper prices but the quality and range of products are also improved.

Negative impact of economic globalization

1. Pressure on Domestic Producer Increased imports have increased pressure on domestic producers. The pressure will be more significant if imported products are priced lower than the domestic market prices. By raising import duties, the government is trying to reduce such pressures. That should spur the domestic industry to expand and create more jobs.
2. Capital flight occurs when assets or money rapidly flow out of a country because of that country's recent increase in unfavorable financial conditions such as tariffs, taxes labour costs, government debt or capital controls. A downturn in currency improves the terms of trade but reduces the monetary value of financial and other assets in the country. This leads to a decline in the purchasing power of the assets of the country.

Capital flight can cause liquidity crises in directly affected countries and can cause related difficulties in other countries involved in international commerce such as shipping and finance.

1. **Tax havens:** Tax havens are countries that have zero or close to zero corporate taxes. This is an incentive for outsiders to easily set up business there. Tax havens limit public disclosure about companies and their owners. Tax havens are disadvantageous to the economy of developing countries. Tax revenue is important for utilities such as education, health, infrastructure, etc., However, tax havens create a shortage of tax revenue for countries because MNCs take advantage of these tax havens. By doing so, they create economic inequality. For this issue to be tackled, there is a need for a thorough amendment of the global tax system.
2. The financial secrecy that many tax havens provide facilitates money laundering, corruption, hiding of political conflicts of interests, manipulation of markets and the evasion of anti-trust law. This weakens democracy. Tax avoidance by MNCs is nothing but a mode of corruption, it is stealing from the poor for their own benefit.

3. **Increases in economic imbalances:** Global economic imbalances refer to an unfair distribution of resources between different countries or it may refer to a one-sided trade situation. It includes unbalanced trade between different economies, e.g. US trade deficit with China. Unemployment levels, e.g. high unemployment in southern Europe versus low unemployment in US, UK. Poverty levels between the developing world and developed world. Imbalance in consumption and production of CO₂ emissions. High saving levels in East. High consumption in West. Developing countries heavily indebted to developed world banks.

Effects of economic globalization on developing countries

1. Wages and inequality

As companies outsource work to poorer countries in pursuit of cheaper labour, many of the poor in these developing countries are able to find work at wages that are finally able to sustain their families. In any job market, it seems that those with high skills get the most work. Those with less skill may not get the benefit of higher-paying jobs with a foreign company. As a result, inequity develops among the working class creating a divide within the local economies. The less skilled still struggle to gain financial stability while others can rise out of poverty.

2. Effects of greater income

Opening of trade and development of companies in places like China, for e.g. have led to tremendous increases in manufacturing and sales. In general, extensive numbers of the Chinese people have been able to rise out of poverty as they have found better paying jobs and work for both domestic and foreign companies. The country has become a big player in the global market and many of its people have similarly benefited. With greater personal income, individuals have had greater access to increased opportunities and further education.

3. Increased opportunities for education

As additional money flows into economy of country, the government has more resources to fund important initiatives such as educational advancement. Similarly, individuals become financially stable and can afford things that were previously unavailable such as schooling and vocational training. However, a potential downside of increased educational opportunities is that some of those individuals who achieve a professional level may migrate to other countries in search of higher salaries and better lifestyles.

4. Health Status and Longevity

Another benefit to developing countries is the improvement of health services and the extension of life expectancy in the general population. Growing income and resources allow for greater access to food, medical services and health care.

5. Access to a variety of foods

Especially those foods that are processed, has led to increased rates of obesity in many poor countries, which, in turn, can lead to health issues such as diabetes, cardiovascular disease and high cholesterol. Unfortunately, many of these countries are unable to maintain enough highly trained professionals to meet the health need as

professionals often head elsewhere in search of a better-paying position.

6. Spread of infectious diseases

Another health concern is the increased risk for the spread of infectious diseases. When countries remained relatively closed off to trade and interaction with others, they remained isolated from health risks as well. As countries opened up both products and individuals began to travel, taking diseases with them. Some diseases that had been virtually eliminated in some parts of the world have begun to crop up again.

Conclusion

To sum up above points, it cannot be wrong to say that Economic globalization is considered as a broad international movement of goods, capital, services, technology and information. Economic globalization includes those people. They are well familiar with the international economic situation. Are several characteristics such as competence of the legal and cultural structures of other nations, foreign languages and advanced technology.

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