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Globalization: Blessing or Curse for the Economy of the Developing Countries?

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Abstract:
Nowadays globalization is a debatable topic regarding the economic growth of the developing countries around the world. This paper tries to determine the aspects associated with this argument and explains the effects of globalization in the developing countries in three important and co-related fields i.e. economic and trade processes, education and health systems and culture on the basis of some of the scholars' arguments expressed on the subject. In the recent past, there have been the pros and cons of globalization in developing countries. Some argue that globalization is indeed a curse to the developing countries as it can neither be rejected nor fully be applied to its national policy. However, many others suggest that globalization should be looked at in all its manifestations and from different angles it is a blessing for those countries. In order to address this issue, when considered from the economic perspective, the negative economic impacts of globalization should be minimized and exportable capacity of the developing countries' economy in the global market should be maximized in a gradual manner. In practice the study will give the practitioners and the relevant part the knowledge to improve business in developing countries.

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Introduction

The term 'Globalization' is referred to the free movement of goods, services and people across the national border around the world. In this sense, this kind of global phenomenon is not the same thing as transnational (King 1991). Thus, King has clearly stated the process of globalism in terms of not the national, but the global perspective. Economically, globalization is the course of integration of the national economies into the growing international division of labor. It is a contradictory concept that may be rationale in economics; it may be irrational in other cases. Some present-day social theorists, like Hirsch and Thompson, argue that globalization is largely mythical. They describe that nation states retain the capacities to manage national economies, in which globalization is seen as eroding (Shaw 1996). It signifies the victory of classicism advocated by Smith and Locke. It is the triumph of democracy, liberalism and capitalism overall other ideology and statecraft" (Gill 1990). The current attention of economic globalization is the abolition of national boundaries. In the economically advanced countries, however, these structures exactly reined in market capitalism, making it palatable and acceptable (Ruggie 1998). This is, indeed, the last stage of open economy started from privatization and economic liberalization. Globalization, in this study, creates two inter-linked and divergent challenges in developing countries: (1) how can an effective global market be created for them?, and (2) what are the political implementation models that can appropriately address the problem of regulating accountability of globalization in developing countries?

Objectives:

The overall objective of this study is to explain economic impacts of globalization in developing countries; however, the specific objectives are:

- To assess the definitions and aspects of globalization,
- To identify developing countries in the global market,
- To explore the economic impacts of globalization in developing countries, and
- To define whether globalization is good or bad for the economy of the developing countries.

Discussions:

Impacts on Economy and Trade:

While measuring economic prosperity, it is a must saying that globalization aids developing nations to deal with rest of the world by increasing their economic growth, solving the unemployment and poverty problems. In the past, these countries were not able to enter into the world economy due to trade barriers. They cannot share the same economic growth that developed countries did. Nonetheless, with globalization the World Bank and other International Financial Institutions encourage developing countries to go through market reforms and fundamental changes by providing large loans and other financial aids. Many developing nations began to take steps to open their markets by removing tariffs and free up their economies in the global market. This triggers the developed countries to invest in the developing nations, creating more job opportunities for the poor and unemployed people. For instance, fast growth in India and China has caused world poverty to decrease to a large extent (blogspot.com 2009). It is obvious to see that globalization has made the relations between developed countries and developing nations stronger. It has made dependencies among the countries all over the world. According to Thirlwall (2003, p.13) " Developing countries depend on developed countries for resource flows and technology, but developed countries depend heavily on developing countries for raw materials, food and oil, and as markets for industrial goods". One of the most important benefits of globalization is that it has increased the faster and easier transportation of goods and people as a result of free trade agreements between countries and decreased the possibility of war between countries. Additionally, the growth in the communication between the individuals and companies in the world helped to increase free trade between countries and this led to growth of the economy. Although, globalization has many economy and trade advantages in the developing countries, we must also acknowledge the disadvantages that globalization has brought for these developing countries. One of these disadvantage is that globalization has increased the inequality between the rich and poor that is the benefits of globalization is not universal; the rich people are getting richer and the poor are becoming poorer day by day. Many developing countries get benefit from globalization but then again, many of such nations are lagging behind. In last two decades, China and India have grown faster than the already rich nations. However, countries like Africa still have the highest poverty and unemployment rates, in fact, the rural areas of China which has not stepped into global markets yet also suffer greatly from such high poverty rate (blogspot.com 20091). Conversely, developed countries is establishing their companies and industries in developing nations to take advantages of low wages and this is causing pollution in countries with poor regulations for environmental pollution. Moreover, setting up companies and plants in the developing nations by developed countries has affected the economy of the developing countries badly and thus increased poverty and unemployment.

Effects on Education and Health Systems:
Beside the assistance in economic growth, globalization has contributed to the improvement of health and education systems in the developing countries. It is obvious that rate of literate people has increased in recent years, because globalization has a demand to the jobs that require higher skills set. This demand allowed people to gain higher education. Health and education are basic pre-requisites for the development of any nation, and there are strong relationships between economic growth and health and education systems. Economic growth has facilitated the living standards and life expectancy for the developing nations to a better extent than before. With more prosperities, poor nations are now able to supply good health care services and sanitation to their people. Furthermore, the government of developing countries can allocate a bigger budget for health and education systems for the poor, which led to the decline in illiteracy rate. This is observed in many developing countries whose illiteracy rate fell down recently e.g. Bangladesh, India and Africa. It is the reality that, living standards and life expectancy of developing countries increase through economic gains from globalization. According to the World Bank (2004) " With globalization, more than 85 percent of the world's population can expect to live for at least sixty years and this is actually twice as long as the average life expectancy 100 years ago". Besides, globalization helped doctors and scientists to contribute to discover many diseases, which is spread by human, animals and birds mostly in Africa, and it helped them to created appropriate medicines to fight these deadly diseases. Let's say, HIV/ADIS, swine flu and birds' flu that the whole world is aware of these diseases and they know how to avoid it. Through globalization, there are many international organizations, such as, Non-governmental Organization (NGO), World Health Organization (WHO) and UNESCO, are trying to eradicate illiteracy and deadly diseases from the world and save the lives mass people. In spite of these positive impacts of globalization to the education and health fields in the developing countries, globalization has also negative impacts in various fields e.g. globalization enables the spread of new diseases in developing nations by travelers between countries. Because of increased trade and travel, many diseases

like HIV/ADIS, Swine Flu, Bird Flu and many plant diseases, are spread across borders, from developed nations to the developing ones and this situation stimulates the living standards and life expectancy of people of these countries. According to the World Bank (2004) "The AIDS crisis has reduced life expectancy in some parts of Africa to less than 33 years and delay in addressing the problems caused by economic". Another shortfall of globalization is that globalized competition has forced many highly educated and qualified professionals, such as scientists, doctors, engineers and IT specialists, to migrate to developed countries to benefit from the higher wages and greater lifestyle prospects for themselves and their children causing brain drain which in return leads to the loss of skilled labor in the developing countries.

Effects on Culture:

Globalization has contributed many benefits as well as disadvantages to the cultures in the developing countries. Many developing countries cultures has been altered through globalization and started to imitate the other countries' cultures e.g. America and European norms and cultures. Before globalization, it would not been imaginable to know about other countries and their cultures. Due to important inventions as a result of globalization like television, radio, satellite and internet, it is now possible to know what is happening in any countries around the world. Furthermore, people worldwide can know about each other more than before through the process globalization. For instance, it is now the easiest thing on earth to be connected with anyone from different parts of the world through the development of application like Facebook, Tweeter, Whatsapp, Viber etc. In addition, today we can see clearly the heavily effect globalization has caused to the young people in the different poor nations. Nowadays, It is very common to see teenagers wearing T-Shirts and footwear of world class brands e.g. Puma, Fila, Nike, Addidas etc., listening to Hip-Hop music, using 5th generation computers and renowned mobile phones like iPhone, Samsung, Huwaei etc. and eating fast foods at international food chain shops e.g. Burger King, MacDonald, KFC and Domino's Pizza. Globalization has put everyone in the same shoes with different languages. One the other hand, many developing countries are worried about the rise of globalization because it might destroy their own culture, traditions, identity, customs, norms and languages. Many Arab countries such as Iran, Iraq, Syria, Lebanon and Jordan, as developing countries have been affected negatively. Their cultures, customs and traditions have been changed to a large extent. In addition, globalization leads to disappearing of many words and expressions from local language because many people use English and French words randomly in their own ways. Great changes have taken place in the family life as joint families are breaking down into small families (Kurdishglobe, 2010).

Strategies of Globalization in developing countries:

The fundamental problem of globalization is that the markets are not economically embedded. This is particularly true in financial markets. The existing architecture of the global financial market is largely libertarian, facilitating the rapid acquisition of huge private benefits. Its cost can be catastrophic in terms of prosperity and jobs in isolated or in several affected national economies. As a result, the basic rights of people in these countries are jeopardized (Meyer and Breyer 2007). Likewise, the following problem of economic globalization has been evolved from the lack of political control over extensively spreading transnational companies which are establishing in several developing countries. The companies partially evade national fiscal jurisdiction by depositing their profits in countries with more favorable tax systems. Often companies decentralize their production processes to such an extent that individual components are manufactured in countries where it is most advantageous to produce them. This decreases production costs whereas it deteriorates the position of the company personnel and even of the national governments in individual production locales. In this context, following five measures of transnational economic regulation have been suggested. First of all, the balance between political goals and economic action has to be renegotiated at the transnational level. Accordingly, legislation must be enacted to set the limits to market events. Secondly, global actors such as IMF, World Bank, OECD and G-7 should form new economic coordination. For this purpose, an agency must be set up to coordinate economic activities at various regional and global heights. In the same way, the IMF and the World Bank should totally change their policies and global conducive credit conditions for development must be created. Finally, the democratization of decision-making in transnational institutions and the reform of the World Security Council are important and major steps. Globalization will empower the junction of the varieties of capitalism in a liberal model devoid of a welfare state. This ensures protection of basic rights, which does not seem to be valid. It is evident that where institutions for the coordination of markets exist, actors tend to make use of these structures. During the past two decades, coordinated market economies have undergone changes in their structures and mechanisms; they have adapted to the new experiments and challenges. The scope of regulation of the economy has grown significantly since the 1990s because of three common trends. Firstly, the increasing privatization in many countries with lesser role of the state. Secondly, the transnational market integration that increased gap between the extent of the external effects generated by the markets and the potential for their political regulation. Thirdly, the increment of unforeseeable civilization and environmental risks resulting from unregulated growth processes (Meyer and Breyer 2007).

Globalization and Inequality in Developing Countries:

Globalization has entered into the vocabulary of many people but the concept has given a variety of meanings that remains the subject of debate and controversy since 1980s. There is an disagreement about whether or not it is primarily a political, technological, cultural or economic or multi-causal phenomenon; whether it 'pulls upwards' or 'pushes down'; whether it destroys political autonomy or creates new pressures for local autonomy; whether it shrinks the public sphere or demands its enlargement; or whether it enhances or reduces our capacities to understand the world we live in (Mendell 2003). So far to focus on economic globalization such as integration of financial markets and other markets, internationalization of production is concerned, 'from 1914 to 1950, however, the world economy experienced lower rates of growth, a retreat from globalization, and economic divergence.' The world economy upturned its surge toward globalization especially after 1990. A number of recent studies have examined globalization's effect on developing countries (Andersen and Kersbergen 1997). During the period from 1973 through the 1980s, inequality rose in the Northern parts, in part due to globalization forces. Economic theory and a few studies argue that such rise in inequality would be doubled with a more egalitarian in South. The recent widening of wage inequalities in the United States occurred simultaneously with a trend toward trade liberalization and the increased immigration of unskilled workers from developing countries. "Adrian wood assertions are consistent with economic theory, recent studies show that the number of countries in Latin America and East Asia have experienced increase, not decline, in wage inequality after trade liberalization" (Williamson 2000). Nevertheless, globalization of markets has widened economic inequality and inaugurated a competitive 'race to the bottom' as government seek to attract mobile capital by reducing or eliminating perceived impediments to business, such as relatively high business taxes and relatively entrenched labor rights (Tilly 1995). Conversely, global income and real GDP have increased seven times since the end of World War II and three times in per capita terms, but during that time, the gap in incomes between developed and developing nations continued to widen. Moreover, large disparities emerged among developing countries. In this context, Sub-Sahara Africa was the poorest region in the world, where the fundamental issue of human survival remained a grave concern. African nation's real incomes fell or remained stagnant from 1987 to 1994. Latin American economies were more unequal relative to other developing regions. Thus, increased inequality in the region was doubled with rising poverty. Economic recovery in the early 1990s boosted the region's growth rates, the real income of the bottom 40 percent remained below the poverty line in most Latin American countries. In the developing countries, large disparities in inequality and poverty can be attributed to differences in the role of government. Government is connected with the goal of greater equality if income and wealth were coped with the means of redistributive tax and welfare policies (Mendell 2003). Yet, the most successful East Asian nations have placed on emphasis on poverty alleviation rather than on reduction of inequality (Kim 2000).

Poverty, Growth and Globalization:

In developing countries, majority of the poor people live in rural areas. Lack of political commitment and public support programs for rural development are major hurdles of poverty reduction in this countries. Rural poor people experience very little access to credit, land, technology, and extension services. In Latin America, inequality and poverty reflect the legacy of import substitution strategy. This caused Latin American countries to embrace austerity measures in the 1980s, which quickly increased the numbers of critically poor, low paid underemployment and low-wage workers. Additionally, market-led growth does not automatically reduce inequality and poverty. Clearly, positive economic growth is not sufficient condition for the reduction of poverty. Moreover, inequality has been observed in many countries. Hence a number of studies point to a strong relationship between equality and growth (Kim 2000). This case is not universal that, on average, very little movement toward equality accompanies the process of growth. Moreover, in the 1980s structural adjustment policy gave many countries an additional push toward inequality (Adelman and Fuwa 1995). Until now, as the development and income distribution are concerned, physical and demographic conditions also affect a country's options for development and its in-come distribution. In addition, natural resources abundance is often associated with inequality. Similarly, greater population density implies less arable land and per agricultural worker. Obviously, less arable land and per agricultural worker are associated with more income inequality. Economic theory suggests that greater openness to world trade in developing countries will reduce wage inequality. Trade liberalization raises the relative demand for unskilled workers and therefore reduces the wage gap between the skilled and the unskilled. Evidence for East Asia during the 1960s and 1970s supports this theory, but the Latin American's experience since the mid-1980s does not. When the ratio of skilled to unskilled labor is lower for export than for imports, then increased openness to trade should raise the demand for unskilled workers. Conventional wisdom assumes that increased trade liberalization in developing countries increases the demand for the unskilled relative to skilled labor and thus reduces wage inequality. However, the developed countries like Latina Americans experience in the mid-1980s and 1990s challenges this wisdom (Wood 2000). Governments of the third world put their faith in macroeconomic management of largely private economies, combined with measures of redistribution, regional policy, various labor market initiatives, provision of educational opportunity, free health care and social service entitlements (Mendell 2003). However, privatization has been a centerpiece of the market-oriented development strategies employed in developing countries over the past three decades. In this framework, the state is an agent of various interest groups, which negotiates the transfer of income and wealth among various factions to the society. Privatization affects the state's ability to control its distributional impact (Cook and Kirkpatrick 1995). Generosity of welfare provision also varied from one country to another as did the principles upon which it was founded. Employment is a core issue for the future of the welfare state for fundamental reasons of social cohesion and individual self-esteem and for reasons of economic sustainability of the developing countries. However, employment is not sufficient to define the aims of social justice. High employment rates are, no doubt, necessary but not a sufficient condition for fair equality of opportunity in society or social inclusion as is shown by comparative figure on poverty in the working age population (Vandenbroucke 1998). Nonetheless, employment is the major issue in welfare reform, which provides an appropriate route out of poverty. By ignoring the debate for the moment and focusing on the alleged negative consequences of globalization, we can identify interconnected theses that the powers of national governments have been steadily reduced. (Gray 1996). Growing inequality both within and between nations is, thus, driven by globalization. Rich nations command internationally determined rates of remuneration; companies seek profits globally; and the unskilled-both low-waged and unemployed are faced with a growing army of cheap labor across the globe (Mendell 2003).

Conclusion:

In conclusion, as we can see, the process of globalization has connected all the countries around the world. Globalization is the ultimate stage of open economy for universal market. In reality, economic globalization is the eliminating process of national boundaries and restrictions. Developing countries such as India, Bangladesh, China, Africa, Iran, Malaysia, Thailand, Lebanon, Nepal, Turkey and Maldives have been greatly affected by globalization, and whether negatively or positively, the economies of these countries have improved under the influence of globalization. The size of direct foreign investment has increased and a lot of bad customs and traditions has been removed. However, globalization has brought many drawbacks to these countries as well. Many customs and cultures are disappeared such as traditions clothes and some language and expressions have changed. In addition, the violence and drugs abuse have been increased and a lot of deadly diseases have been spread under the influence of globalization. Now, although, globalization has many disadvantages, we believe that globalization has brought the developing countries many more benefits than the detriments. For instance, we can see there are more and bigger opportunities for people in both developed countries and developing countries to sell as many goods to as many people as right now and they are becoming well capable of leading an advanced and better living standards. This is the golden age for business, commerce and trade and it is suggested that government of the developing nations should work jointly with private sectors to extract the best out of globalization while minimizing its losses and costs to the most possible extent.

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