Effects of Globalization in Developing Countries

Introduction

Globalization is a controversial subject in the world today; there are different debates and talks on its effects in the world economy and international politics. There are various debates on whether globalization is real or not. The main objective of this paper is to find out the effects of globalization in developing countries.

Stallings observes that globalization is a many-sided topic encompassing many disciplines, he says that it does not only include economics but also other disciplines such as politics and social studies, this multi diplomacy approach gives various definition to this controversial subject. In my case I will not try to define what globalization is but give a brief explanation of globalization. The economic globalization is happening due to the development in technology leading to connection of all parts of the globe, the reduced cost of transportation and the intentional efforts of many countries to create integration in the international economy. Thus I can say globalization is the summative result from the decision by different countries in the world to integrate their economies with the global economy.

From the above explanation we can deduce that the extent to which the country experiences the effects of globalization depends on the level of restrictions on the movement of products and factors of production, like labor, into the country and out of the country. Hence a country with few restrictions can be considered to be more integrated hence experiences more effects of globalization. Looking at the world trade trends today many countries are removing trade barriers and restrictions. This is through the regional integration in trading blocks. There is removal of tariffs on goods moving between different countries. The world is gradually becoming a free trade area as the countries are practicing a more open economy. In this paper will look at both sides of globalization i.e. negative and positive effects of globalization to the developing countries.

Negative effects of globalization

Emma notes that globalization has led to loss of sovereignty in many developing countries. She says that the world governments have come up with institutions like World Bank IMF and WTO which have developed super national governance policies which are used to deal with the world affairs. In this case I truly agree with her because the developing nations at many times are affected negatively by world decisions made by the developed countries to favor their interests. Looking at the voting patterns in the matters affecting the world we will realize that the developed countries decisions subordinates the decisions made by the developing countries. Apolo (Para. 7) on this matter says that the poorer the country the weaker it is in influencing the decisions of the international agencies. This has led to erosion of sovereignty in developing countries.

According to Apolo, globalization has resulted in undermining of democratization process in developing countries; he says that instead of developing countries being given the freedom to handle the decisions on the democratization policies affecting their countries the major decisions are imposed by their developed partners. He adds that the irony in the whole democratization issue is that some of these developed countries imposing these policies are not democratic. Countries in the world whether developed or developing should be left alone to make decision on governance issues affecting them, this enables countries to develop in-house democratic institutions that are accepted and respected by all the citizens. This argument can be supported by the issue of liberalization and privatization in the African countries, the World Bank through the Breton woods institutions introduced the infamous Structural Adjustment Programs (SAPs) these programs affected the countries economies negatively. This shows that globalization has undermined the democratic space of developing countries in decision making, an indication that there is inconsistency in the way these world bodies preach on the need for democracy and how they make some policies of immense consequences.

Hoang & Liano on their paper argue that globalization results to exploitation of labor in the developing countries, they argue that because the developed countries have immense capital strength which they invest in big companies and multinational they take advantage of cheap labor in developing countries. This is portrayed by the fact that there is free movement of labor between the world countries hence workers move from their mother countries to go and work in developed countries. There is also the issue of foreign investment, this is where the developed countries puts their investment in the developing countries and use the cheap labor in these countries. The other factor is the multinational companies which makes huge capital investment in the developing countries and develop the policy of international sourcing of labor and raw materials. All these foreign investment in developing countries results in repatriation of profits on this issue. Hoang & Liano say that globalization has slowed the speed of economic development of the developing countries due to the labor and resource exploitation by the developed countries. According to Apolo, globalization has led in brain drain because it has opened country boarders for free movement of professionals, this problem is mostly in developing countries of Africa where some of the qualified personnel run away from their countries to developed countries to get employment due to poor economic conditions in their mother countries. Some of these countries don't get remittances from the expatriates working abroad due to lack of good financial policies.

Globalization tries to maintain the status quo between the developed and the developing countries, this means the developing countries like South Korea and Indonesia will continue to depend on high technology machine manufactured in developed countries like America. There is also continued dependency on financial aid and other forms of assistance. This shows that globalization has hindered the developing countries not to be independent economically. They continue to depend on the developed countries to sustain their economies. This countries dependency maintains the status quo between the developed and the developing world.

As noted by Stallings globalization has made solving the problem of poverty in developing countries more difficult. This is because globalization has forced many countries to adopt an open economy, this as attracted foreign competition of goods from developed countries. The developed countries' industries are highly mechanized and the cost of producing goods in these countries is very low as compared to developing countries. This has led to the death of similar industries in developing countries facing this competition in the developing countries. This shows that the developed countries encourage open trade because of their own interest and not the interest of the developing countries. The domestic investment in the developing countries has led to increased poverty levels and the gap between the poor and the rich is widening in these countries.

According to Goldberg & Pavcnik, globalization has resulted in transitional unemployment; they argue that due to trade liberalization the economy takes time to adjust to the new forms of trade. This mostly affects the manufacturing sector as workers are laid down due to the introduction of the machines, the economies shift from being labor intensive to capital intensive. These changes results to transitional unemployment which mostly affects the poor in the developing countries. The transitional unemployment leads to increased poverty and increased social inequalities in the developing countries.

Emma asserts that the effects of big corporations in the developing countries are negative. She says that in the whole process of globalization the big corporations are the biggest gainers. She continues to portray that the some of the big corporations have a bigger financial strength than the countries they operate. This supports Apolo augments that globalization is making the developing countries to loose their financial independence. Looking at the two arguments we realize that the big corporations usually influence the policies of the countries they operate, this is due to the big nature of their investment in these countries. With this financial strength corporations are able to influence the implementation of polices that favor their operations in these countries. This influence in most cases affects the economy of these countries negatively. The developing countries may be forced to adopt trade policies that may not be favorable for the domestic industries and this may kill the local industries.

According to Apollo, globalization has resulted to environmental degradation and pollution because the developing countries have no capacity to control the production of harmful chemical that are usually dumped by the developed countries in the environment. He argues that the global actors invest in activities that pollute the environment in developing countries. He argues that the multinationals from the developed countries invest in areas where they deplete the natural resources from the developing countries leaving them bare and poor. This has a negative impact to the environment when it comes to resources like forests and land. The other thing he points out in his discussion is the dumping of industrial waste like the electronic waste. The developing countries lack good regulations that pertain to environmental protection hence giving the developed countries a leeway for dumping their industrial waste in the developing countries.

Positive impacts of globalization

Collier & Dollar asserts that there increased capital inflow to the developing countries which is enabling these countries to grow economically. They argue that increased aid to developing countries has led to reduced poverty levels in developing countries. They show that the aid given to the developing countries when invested well is changing the lives of citizens in these countries resulting in high living standards. Aid has also enabled the developing countries to invest in infrastructure which is essential for economic growth. Another important element is the issue of debt relief Collier & Dollar says that many developed countries had been given debt relief which has encouraged them to concentrate more on the other development agendas rather than paying the chronic debts. This shows that globalization has helped to speed up the development of many countries; this is through the movement of funds from the developed countries in form of aid and loans.

According to Eswa, globalization has created wider markets for products from the developing countries. This grown market has created many opportunities for growth of their industries. The grown market has enabled the developing countries to diversify in their production. This is because developed countries like China is able to access markets in different regions in the world. He says that the expanded markets have led to increase in the employment of labor and natural resources in these countries. The expanded markets in developing countries have led to industrial revolution in the developing countries. This is due to increased markets in the foreign markets.

There is increased capital investment in the developing countries. As noted by Courier & Dollar increased capital inflow from the developed countries has led to an increase in capital investment which has led to employment of labor and natural resources in these countries. They argue that this has increased the GDP in the countries. The increased capital inflow in these countries has led to improved living standards for the citizens of these countries.

Conclusion

Globalization in the developing countries is both a curse and a blessing, this process seems inevitable as more and more countries are engaging in regional integration. The world is moving towards open market system where the trade barriers are being eliminated between countries. All stakeholders should put all the factors into consideration before engaging in regional integration and trade liberation policies. This will enable the developing countries handle the whole issue of globalization in a good manner. This will enable the developing countries to be able to put measures to mitigate the negative impacts of globalization.