

# How Can We Respond to the Economic Impacts of Globalisation?

## Economic Impacts of Globalisation and Responses of Countries and Individuals

### Global Economy

- Countries trade in goods, such as food and appliances.
  - Others may buy and sell services, such as finance and education.
- Countries trade with one another as they may need/want goods and services they are unable to produce themselves or when produced by other countries, are cheaper and of better quality. Not all countries participate in international trade to the same degree.

Countries also participate in global economy by **investing** in one another (international investment).

- Investments a country makes in another country or receives from another country are **foreign investments**.
- Foreign investments that involve businesses from one country setting up operations in another country or investing in businesses of another country are known as **foreign direct investments (FDIs)**.
  - FDIs are typically for the long term.
- FDIs arise because businesses identify opportunities to reduce costs, increase profit or expand into other markets by setting up operations in another country or investing in businesses in another country.

When country receive FDIs, it often results in an inflow of foreign equipment, talent and expertise. This enables local businesses to upgrade their technology and business practices. FDIs benefit a country by:

- Helping to increase amount of goods and services produced locally; and
- Promoting transfer of skills and expertise to local businesses and workers and creating jobs with potentially higher wages.

## Economic Impacts of Globalisation

### Economic Growth and Vulnerability Experienced by Countries

- Countries stand to benefit from economic growth when integrated into global economy.
  - Economic growth is increase in country's production of goods and services.
  - Can be measured using country's **Gross Domestic Product (GDP)** over period of time.

### Singapore's Growth

- **1965 to early 1970s**
  - After gaining independence in 1965, Singapore faced high unemployment rate
  - In response, government sought to attract foreign investments, particularly in labour-intensive industries (e.g. garment manufacturing and ship-building etc.)
  - Singapore enjoyed strong economic growth by end of 1960s to early 1970s.
  - Singaporeans had more jobs and higher wages.
- **1970s**
  - Higher wages led to higher labour costs.
    - Singapore became less competitive in labour-intensive industries compared to neighbouring countries with more labour and at cheaper costs.
    - Singapore begins attracting new foreign investments in higher-value industries (e.g. petrochemicals and engineering)
    - Focused on upskilling citizens to develop more educated workforce.
- **1980s to 2000s**
  - Singapore reviewed its economic strategy to ensure sustained growth.

- Government focused on pursuing more trade, overseas investment and developing modern service sectors (e.g. finance and info-comm)
- Active efforts made to attract MNCs to set up operations in Singapore.

• **2010 to 2020s**

- Singapore continues to attract FDIs with major sources from China, Japan and the United States.
  - Serves as gateway to fast-growing Southeast Asian region.
- By 2018, 59 per cent of total number of tech-based MNCs in Asia had established regional headquarters in Singapore.
- Singapore also invests overseas, with significant investments in China, India and Indonesia. As these countries have large populations and greater potential economic growth, investing in them will likely bring economic growth to Singapore.

## **Economic Vulnerability**

Interconnections and interdependent relationships in global economy can make countries economically vulnerable, as what happens in one country can affect other countries.

### **Russia-Ukraine Conflict (24 February 2022)**

- Russia and Ukraine major exporters of some of world's food products (e.g. wheat, corn and sunflower oil).
- Ukraine one of world's biggest exporters of Neon and noble gases, core components of computer chips.
- Russia major oil and natural gas producer and exporter.
- As result of Russia-Ukraine crisis, flow of goods across world disrupted.
- Many countries imposed sanctions on Russia to restrict trade, capital flows and travel with country due to its invasion of Ukraine.
- Food production in Ukraine disrupted as Ukrainian fled the country and farmlands destroyed.

# Employment Opportunities and Challenges Experienced by Individuals

## Individuals

Globalisation may create **employment opportunities** and new ways of working for individuals.

- When country open to global economy, businesses reach larger market, resulting in higher demand for goods and services from country.
  - Creates more jobs and provides livelihood for individuals in country.
- Presence of MNCs and increased investments like FDIs also encourage use of more advanced technologies
  - Lead to creation of jobs involving higher skills and wages
- Advancements in digital technology and transportation enable individuals to enjoy increasing mobility beyond country's borders.
  - Individuals may find jobs overseas that better match their skills and aspirations.

## Challenges

- MNCs may relocate operations to other countries to save costs or access expertise elsewhere.
  - Individuals employed in these operations lose their jobs.
- Advancements in technology may cause some types of jobs to be automated as machines are increasingly used to perform work/
  - Individuals working in these jobs lose their jobs.
- Greater movement of labour as individuals relocate to work in other countries
  - Local workers face greater competition from foreign labour in job market.

# Responses to Economic Impacts of Globalisation

## Government Support

Countries may become vulnerable to external events (e.g. pandemics, economic crises, political and social unrest, etc.). Countries respond through:

- Economic cooperation with other countries;
- Attracting and making foreign investments;
- Providing financial support and developing local expertises;

## Economic Cooperation

Countries can choose to cooperate with other countries by pursuing policies that promote **free trade** (tariffs are removed or reduced between trading countries).

- This form of economic cooperation can be achieved by signing Free Trade Agreements (FTAs), which refer to treaties between two or more economies to make trade and investment between them easier.
- FTAs typically agree to reduce or remove **tariffs** between countries to allow foreign imports and exports to be traded more freely and at lower costs.

### **Bilateral FTAs: Singapore-Australia FTA (SAFTA)**

- Agreement came into force in 2003
- Underwent revisions between 2006 and 2020.
- Tariffs on all imported goods removed.
- Number of Australian universities whose law degrees are recognised in Singapore increased from four to eight.
- Period of stay granted to business visitors between Singapore and Australia increased from one to three months.

### **Multilateral FTAs: European Union (EU) - Singapore Free Trade Agreement (EUSFTA)**

- Came into effect in November 2019
- EU would remove tariffs on **84 per cent** of all Singapore products entering EU within first year and remaining **16 per cent** over a period of three to five years
- Market access for Asian food products made in Singapore enhanced.

Despite impact of COVID-19 on global trade, EU imports from Singapore saw **12 per cent** increase (\$15.8 billion) in first six months since EUSFTA came into effect.

## **Attracting and Making Foreign Investments**

Countries may also respond to the economic impacts of globalisation by attracting and making foreign investments.

### **Monetary Authority of Singapore (MAS)**

The MAS - Singapore's central bank - ensures low and stable inflation in Singapore, which helps attract foreign investors. It also manages and invests the country's foreign currencies accumulated from international trade and investment

### **GIC**

GIC's mission is to grow the government's financial assets for the long term. It invests foreign reserves globally in public and private market assets, such as stocks, real estate and infrastructure, to preserve and enhance their value.

## Financial Support and Development of Expertise

- Financial support from government cushions negative economic impacts on various sectors in short term
  - COVID-19 highlighted economic vulnerability of countries as they closed borders to curb spread of virus.
  - Sectors such as transport and tourism directly affected.
  - Other sectors such as manufacturing and retail indirectly affected.
- Singapore government responded to cushion impact of COVID-19 crisis by providing financial support for Singaporeans and local businesses.

### **S\$4B Stabilisation and Support Package**

To support affected workers and firms with

- Retained jobs and wage support
- Cash flow support
- Property tax rebate for tourism sector
- Defrayed business costs for aviation sector
- Rental waivers for government-managed hawker centres and properties.

### **S\$1.6B Care and Support Package**

To support Singaporean families with

- Up to S\$300 cash for adult Singaporeans
- S\$100 more for each parent with a child below 21
- Doubled utilities rebates and more for larger families
- S\$100 PAssion Card top-up for all seniors
- S\$100 supermarket vouchers for the lower-income

- Government agencies can be set up to provide resources and advice to help businesses
  - innovate;
  - develop expertise and talent;
  - expand abroad;

- Enables businesses to adapt or transform their operations to become more resilient to disruptions and economic vulnerabilities of globalisation

- In 2017, small and medium enterprises (SMEs) Go Digital programme launched to help SMEs adopt advanced digital solutions and technologies
- Enable them to seize growth opportunities in increasingly digital global economy
- As of March 2022, more than 80,000 SMEs have adopted digital solutions through the programme.

## **Acquisition of Knowledge and Skills by Individuals**

- Individuals can respond by:
  - being willing to acquire new knowledge and skills throughout life and remain relevant in job market.
    - vital in world of rapid technological advancements, current jobs evolving and new jobs created
- having flexible and open mindset about exploring and trying out different or new areas of work
- ensuring they save and invest appropriately, so that they have resources to provide for themselves and families during periods of unemployment or loss of income.
  - help tide them through financially as they take time to develop new skills or transit to new careers.