

Globalization and Foreign Investment

Meaning

Globalization means the speedup of movements and exchanges (of human beings, goods, and services, capital, technologies or cultural practices) all over the planet. One of the effects of globalization is that it promotes and increases interactions between different regions and populations around the globe.

Pros

Supporters of globalization argue that it has the potential to make this world a better place to live in and solve some of the deep-seated problems like unemployment and poverty.

1. Free trade is supposed to reduce barriers such as tariffs, value added taxes, subsidies, and other barriers between nations. This is not true. There are still many barriers to free trade. The Washington Post story says “the problem is that the big G20 countries added more than 1,200 restrictive export and import measures since 2008
2. The proponents say globalization represents free trade which promotes global economic growth; creates jobs, makes companies more competitive, and lowers prices for consumers.
3. Competition between countries is supposed to drive prices down. In many cases this is not working because countries manipulate their currency to get a price advantage.
4. It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity, creates the conditions in which democracy and respect for human rights may flourish. This is an ethereal goal which hasn't been achieved in most countries
5. According to supporters globalization and democracy should go hand in hand. It should be pure business with no colonialist designs.
6. There is now a worldwide market for companies and consumers who have access to products of different countries.

7. Gradually there is a world power that is being created instead of compartmentalized power sectors. Politics is merging and decisions that are being taken are actually beneficial for people all over the world. This is simply a romanticized view of what is actually happening.

Cons

- The general complaint about globalization is that it has made the rich richer while making the non-rich poorer. “It is wonderful for managers, owners and investors, but hell on workers and nature.”
- Globalization is supposed to be about free trade where all barriers are eliminated but there are still many barriers. For instance 161 countries have value added taxes (VATs) on imports which are as high as 21.6% in Europe. The U.S. does not have VAT.
- The biggest problem for developed countries is that jobs are lost and transferred to lower cost countries.” According to conservative estimates by Robert Scott of the Economic Policy Institute, granting China most favored nation status drained away 3.2 million jobs, including 2.4 million manufacturing jobs. He pegs the net losses due to our trade deficit with Japan (\$78.3 billion in 2013) at 896,000 jobs, as well as an additional 682,900 jobs from the Mexico –U.S. trade-deficit run-up from 1994 through 2010.”
- Workers in developed countries like the US face pay-cut demands from employers who threaten to export jobs. This has created a culture of fear for many middle class workers who have little leverage in this global game
- Large multi-national corporations have the ability to exploit tax havens in other countries to avoid paying taxes.
- Multinational corporations are accused of social injustice, unfair working conditions (including slave labor wages, living and working conditions), as well as lack of concern for environment, mismanagement of natural resources, and ecological damage.
- Multinational corporations, which were previously restricted to commercial activities, are increasingly influencing political decisions. Many think there is a threat of corporations ruling the world because they are gaining power, due to globalization.

- Building products overseas in countries like China puts our technologies at risk of being copied or stolen, which is in fact happening rapidly
- The anti-globalists also claim that globalization is not working for the majority of the world. “During the most recent period of rapid growth in global trade and investment, 1960 to 1998, inequality worsened both internationally and within countries. The UN Development Program reports that the richest 20 percent of the world's population consume 86 percent of the world's resources while the poorest 80 percent consume just 14 percent. “

Reasons for -globalization leads to Foreign Investment

- Globalization has resulted in greater interconnectedness among markets around the world and increased communication and awareness of business opportunities in the far corners of the globe.
- More investors can access new investment opportunities and study new markets at a greater distance than before.
- Potential risks and profit opportunities are within easier reach thanks to improved communications technology.
- Countries with positive relations between them are able to increasingly unify their economies through increased investment and trade.
- Products and services previously available within one country are made more readily available to new markets, resulting directly in improved economic opportunities for workers in those economies and leading to improved household incomes.
- For investors, these opportunities present a wider range of investment options and new ways to profit.
- Investment in global markets is possible for the investing public through stock purchasing, as most brokerage firms are able to access international stock markets and provide their clients with the opportunity to purchase shares in companies around the world.