

THE IMPACT OF GLOBALIZATION IN NEPAL

Seminar paper

By

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DECLARATION

I hereby declare that the project work entitled “Impact of remittance on economic development of Nepal” submitted to Mr. Rajan Neupane Sir, is a project report of the work done by me under the guidance of Rajan Neupane sir. This project work is submitted in partial fulfilment for BBA Second Semester. The result embodied in this project have not been submitted to any other collages and institutes.

Signature

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Date: 2080/01/21

SUPERVISORS RECOMMENDATION

The seminar paper entitled “Impact of globalization in Nepal ” submitted by Grishma Neupane of BBA Second Semester, is prepared under my supervision as the procedure and format requirement laid by faculty of Management, office of the Dean, Tribhuvan University, as partial fulfilment for the degree of BBA Second Semester, Macro Economics for Business. I, therefore, recommend the seminar paper for final evaluation.

Signature

Rajan Neupane

Date: 2080/01/21

ABSTRACT

Globalization can be thought of as the speedy, free movement of people, services, capital, goods, ideas and knowledge across national borders, encompassing the entire globe. It is claimed that globalization makes the world akin to a small village through time and space compression with new technologies being an important facilitator of this interconnectivity.

By reviewing the literature and analyzing some data of Nepal globalization index and comparing it with the world, this paper investigates the positive and negative impact of globalization as well as the recent and historical data of political, social and economic globalization of Nepal and the world. First, it deals with the issues and the impact on developing countries like Nepal. Second, it deals with the data of globalization index (0-100) of Nepal and views it comparing with the world's average globalization index. Third, it deals with the data of political, social and economic globalization index. Fourth, it deals with the positive and negative impact of globalization. Finally, it deals with the theoretical and empirical perspective of globalization.

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CHAPTER I: INTRODUCTION

Background of the study

Globalization is a process of global economic, political and social integration. It has made the world become smaller place with all the global integration. Globalization is playing an increasingly important role in the developing countries. It can be seen that, globalization has certain advantages such as economic process, technological developments, political influences, health systems, social and natural environment factors. It has a lot of benefits on our daily life which makes impact of globalization in Nepal worth investigating.

Globalization, “The Act of Globalizing” it is derived from the noun “global” which means pertaining to or involving the whole world, (Oxford English dictionary 2010). Globalization is the growing interdependence of the world’s economies cultures and population, brought about by cross-border trade in goods and services, technologies, and flows of investment, people, and information (Peterson institute for international economies, 2018).

Globalization is a term used to describe international relationship and co-dependency among countries. In other words, Globalization can also be defined as development of international influence on such as exchange of human resources, capital, technologies, good and services, cultural practices etcetera, on businesses and organizations to start commencing on an international scale. It changes the way countries, people, businesses and organizations interact as globalization has made world into more connected and interdependent place.

There are three main classification of globalization: political, social and economic globalization.

Nepal adopted the policy of globalization after the restoration of multiparty democracy in the early 1990s as the forerunner of globalization in the south Asian region. (Contextual Nepal 2021).

In 2004, when Nepal got its WTO membership, since then the globalization in Nepal has accelerated. Globalization can bring both opportunities and threats to any developing country, organization, or business and livelihood.

Nepal being an underdeveloped country has faced some major problems like Brain drain, political influence, environmental degradation and human resource exploitation which is resulting in lack of skilled manpower for the country as skilled manpower like doctor, engineers, professor are seeking for better opportunities in developed countries and wanting to live a quality life.

Statement of the problem

The main problem associated with foreign employment in Nepal is the potential negative impact which can hinder the Nepalese economy in the long run. Globalization has increased the gap between poor and rich countries. As a result of multinational corporations' dominance, domestic businesses in least-developed countries such as Nepal have struggled to thrive. Globalization also poses some daunting challenges like environmental degradation, legal compliance issues, and worker exploitation. The important thing to remember, though, is that the challenges of globalization can be overcome. Increased globalization has been linked to various environmental challenges, many of which are serious, including: Deforestation and loss of biodiversity caused by economic specialization and infrastructure development. Greenhouse gas emissions and other forms of pollution caused by increased transportation of goods.

Overall, the impact of globalization in Nepal is a complex issue that requires careful consideration. This paper aims to explore various impacts of globalization in Nepal. Specially, the paper aims to answer the following questions:

- What are the benefits and opportunities globalization provides for the individual and their families?
- How does globalization affects the economy of developing countries?
- How does political globalization helps to resolve the crisis?
- How does social globalization affects people's identity and cultural values?

Methodology

Under the conditions of economic globalization, new trends are being formed in terms of social and economic development. There arises a need for a comprehensive assessment of the level of socio-economic development of countries in order to identify factors and components of effective globalization development.

- To identify the level of globalization achieved by various countries and the main factors that determine it, a methodological approach has been developed, which involves calculation of the Integral Index of Globalization Development (IIGD), including five components: gross domestic product of the country on purchasing power parity per person, Globalization Index, Global Competitiveness Index, Global Index of Innovations, Index of Economic Freedom, each of which has different weight, determined on the basis of expert judgment. The obtained results allow making managerial decisions concerning the formation of development models of countries under the conditions of economic globalization. ([Economic Annals-XXI](#) 2018).

Objectives

The major objectives of the study on the impact of globalization in Nepal are:

- To observe the positive and negative impact of globalization in Nepal.
- To analyze the globalization index of Nepal.
- To have greater knowledge of political, social and economic globalization.

Structure of the paper

The structure of the Study in the first chapter this report explains the background of the study, statement of the problem, Objective of the study, Method of the study. In the second chapter this seminar report explains the Description and Analysis part of the report that is Review of Literature, figure, and Findings. And in the last chapter that is third chapter this seminar explains the Summary, Conclusion and References part of the report.

CHAPTER II: DESCRIPTION AND ANALYSIS

IMPACT OF GLOBALIZATION

The world has become more connected than ever before through the increase in technological advancements and economic integrations. Advanced economies are formed as domestic businesses transform into international ones and further contribute to the spread of technology around the world.

There are several benefits of globalization, such as increased international trade and cooperation and less international aggression. Social globalization the sharing of ideas and information between countries has led to innovation in the medical, technological, and environmental preservation industries.

Additionally, globalization has improved the quality of life in several developing nations. This includes implementing efficient transportation systems and ensuring accessibility to services such as education and healthcare.

However, globalization can also have negative effects on society, such as increased income inequality and substandard working conditions in developing countries that produce goods for

wealthier nations. Income inequality is directly related to globalization as it further increases the gap between more advanced and developing areas of a nation. As a result, it can also increase the risk of societal violence. Along with its societal effects, globalization has a lasting impact on the environment and typically not a positive one.

Positive impact of globalization

In general, globalization decreases the cost of manufacturing. This means that companies can offer goods at a lower price to consumers. The average cost of goods is a key aspect that contributes to increases in the standard of living. Consumers also have access to a wider variety of goods.

Globalization allows companies to find lower-cost ways to produce their products. It also increases global competition, which drives prices down and creates a larger variety of choices for consumers. Lowered costs help people in both developing and already-developed countries live better on less money.

Many countries around the world remain constantly connected, so knowledge and technological advances travel quickly. Because knowledge also transfers so fast, this means that scientific advances made in Asia can be at work in the United States in a matter of days.

Adopting globalization increases free trading opportunities between countries. This allows business organizations in developed countries to invest in developing countries.

As the communication between the countries becomes open sharing of information became easier due to globalization. This has also contributed to the increase in speed of transportation of products.

Countries joining together through globalization will remove the cultural barriers and make the world a global village. Globalization makes the countries adopt the factors that are beneficial in the long run.

There is also a possibility of less war between developed countries due to globalization.

Negative impact of globalization

The negative effects of globalization include, greater inequality, increased corruption, reduction in sovereignty erosion of cultural identity and degradation of the environment.

If the rules and regulations regarding the protection of the environment are less in underdeveloped countries, other developed countries can manufacture products that may harm the environment.

A majority of big industries prefer cheap labor people in a skilled and non-skilled category will go for the job in developed countries.

Unequal economic growth: While globalization tends to increase economic growth for many countries, the growth isn't equal richer countries often benefit more than developing countries.

Lack of local businesses: The policies permitting globalization tend to advantage companies that have the resources and infrastructure to operate their supply chains or distribution in many different countries, which can hedge out small local businesses for instance, a local New York hamburger joint may struggle to compete with the prices of a multinational burger-making corporation.

Increases potential global recessions. When many nations' economic systems become interdependent, the likelihood of a global recession increases dramatically—because if one country's economy starts to struggle, this can set off a chain reaction that can affect many other countries simultaneously, causing a worldwide financial crisis.

Exploits cheaper labor markets. Globalization allows businesses to increase jobs and economic opportunities in developing countries, where the cost of labor is often cheaper. However, overall economic growth in these countries may be slow or stagnant.

Causes job displacement. Globalization doesn't result in an increased number of jobs; rather, it redistributes jobs by moving production from high-cost countries to lower-cost ones. This means that high-cost countries often lose jobs due to globalization, as production goes overseas.

Globalization: a theoretical perspective

There are three schools of thought, which clearly explain the concept of globalization in terms of theory. As they view and explain the notion of globalization differently with respect to the economic division of the world system, it depends on the reader, on an economist or an analyst as to which one he or she views as most correct.

1: Realists explain that globalization has not altered or changed the territorial division of the world, which is nation-states, although the increased interconnectedness between economies and societies might make them more dependent on one another. In that case, globalization may pose threats to our social, economic and cultural lives but it does not surpass the international political system.

2: Liberals view globalization as a product or an end result of a long-running transformation of world politics. Liberals particularly focus upon the factor of revolution in technology and communications represented by globalization. They are of the view that this interconnectedness between societies for economic and technological advancements, results in new pattern of world political relations.

3: Marxist theorists view globalization as nothing new but the latest version of international capitalism. To them it is a Western-led phenomenon which basically promote the development of international capitalism.

Referring specifically to economic globalization, the term refers to at least three different sets of processes in the world economy. First, it is referred to as Internationalization, which describes the increase in economic transactions across borders that have been taking place since the turn of the century, but which, according to some, has undergone a quantitative leap in recent decades. Secondly, the technological revolution which describes the effects of new electronic communication. It permits firms and other actors to operate globally with much less regard for location, distance, and borders. Against, these arguments for globalization, Hirst and Thompson have come up with a very powerful critique. They maintain that one impact of globalization is that national governments appear to be powerless in the face of global trends.

These governments are unable to subject global economic forces' control and regulation. They claim that the more extreme versions of globalization are a myth, and in support of their claim they have given five main conclusions from their study of the contemporary world economy. To them, first, the present internationalized economy is not unique in history. In some respects it is less open than the international economy was between 1870 and 1914, second, they argue that genuinely transnational companies are relatively rare; most are national companies trading internationally. Third, they claim that direct investment is highly concentrated amongst the countries of the developed world so that there is no shift of finance and capital from the developed to the

underdeveloped world, fourth, the world economy is not actually global; rather trade, investment, and financial flows are concentrated in and between the three blocs - Europe, North America and Japan. Finally, they argue that this group of three blocs could, if they coordinated policies, regulate global economic markets and forces. Hirst and Thompson focused upon only the economic theories of globalization, and many of their main accounts deal with factors such as communications and culture more than economics. Nonetheless, they have strongly criticized the gist of the more extreme globalization thesis. There appears to be a paradox about globalization which is usually viewed as the triumph of market led forces in the West. How can one explain the successes and achievements of some non-western states in a globalized world? Examples are the 'Tigers of Asia,' countries like Singapore, Taiwan, and Malaysia. Subscribing to their Asian values, they have nevertheless enjoyed some of the highest growth rates in the international economy, and this growth can be explained as a synthesis of their urge to boost their economies and their will to resist western dominance. As a result, they formulated and implemented such economic policies that triggered an economic development in their countries but they managed to keep western investment and their own policies side by side.

Globalization: an empirical perspective

The impact of globalization on economic output is a concern of economists and Researchers from developed countries as well as from developing ones. Many of them appeared after 2006, when Dreher launched firstly the KOF Globalization index, with its three sub indexes (economic, social and political). Dreher (2006) found out that globalization affects economic growth in a positive way in his investigation of 123 countries from years 1970-2000. The Pakistanis' economy was explored by Afzal (2007) and Shaikh and Shah (2008) by using different methods and concluding that globalization had an effect of development on economic growth in long term and influenced the Pakistan's Macroeconomic performance in a positive way, leading to a fast economic growth. The economic growth in well developed countries (OECD countries) is differently affected by globalization, including its components: on the short term the influence is weak, whereas on the long run, there is a connection from general, economic and social globalization to economic growth (Chang and Lee, 2010). Regarding the regional growth in the European Union (EU-27) countries, globalization affected it in a positive way according to Polasek and Sellner (2011). As the globalization grows in Malaysia, Thailand, India and Philippines, the Economic growth rates are higher too in these countries (Rao et al., 2011). For the case of Romanian economy, there are valuable the conclusions of Mutascu and Fleischer (2011) stating that on middle and long run, globalization would maximize the economic growth. But during 1992-2011 globalization in Romania conducted to a higher income inequality (Neagu, 2014), although a strong positive and statistical validated link is found between globalization and FDI, between trade openness and FDI, and between FDI and globalization (Dima, 2016) and the impact of globalization on Romanian SMEs could be treated as an opportunity or as a threat (Zamfir, 2015). Between the years 1995-2008, in the American economy globalization increases and provokes the economic growth (Leitão, 2012). Globalization could be seen as an engine for economic growth (Iovițu et al., 2015) and there is a mutual causality connection between globalization and economy.

Discussion

It is not easy to answer the question as to which theory has the 'truest' or the most 'correct' view of globalization. The nature and impact of globalization is still the subject of profound debate within the International Political Economy (IPE) and in other areas of International Relations.

Referring specifically to economic globalization, the term refers to at least three different sets of processes in the world economy. First, it is referred to as Internationalization, which describes the increase in economic transactions across borders that have been taking place since the turn of the century, but which, according to some, has undergone a quantitative leap in recent decades. Secondly, the technological revolution which describes the effects of new electronic communication. It permits firms and other actors to operate globally with much less regard for location, distance, and borders. Finally, liberalization describes the policies pursued by states that have made a new global economy possible. This includes both the rules and institutions created by powerful states to facilitate a new scale of transnational economic activity in certain sectors of the world economy. It also includes the policies of smaller and less powerful states in the system which by liberalizing trade, investment, and production have integrated into the world economy.

The concept of "globalization" is deceptively simple. The free market must be allowed to function without interference. Governments must remove all barriers that prevent the full and free operation and movement of goods and services, capital, firms and financial institutions across border.

Globalization and developing countries

Globalization helps developing countries to deal with rest of the world increase their economic growth, solving the poverty problems in their country. In the past, developing countries were not able to tap on the world economy due to trade barriers. They cannot share the same economic growth that developed countries had. However, with globalization the World Bank and International Management encourage developing countries to go through market reforms and radical changes through large loans. Many developing nations began to take steps to open their markets by removing tariffs and free up their economies.

The developed countries were able to invest in the developing nations, creating job opportunities for the poor people. For example, rapid growth in India and China has caused world poverty to decrease (blogspot.com.2009). It is clear to see that globalization has made the relationships between developed countries and developing nations stronger, it made each country depend on another country.

According to Thirlwall (2003:13) " 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 the most important advantages of globalization are goods and people are transported easier and faster as a result free trade between countries has increased, and it decreased the possibility of war between countries. Furthermore, the growth in the communication between the individuals and companies in the world helped to raise free trade between countries and this led to growth economy.

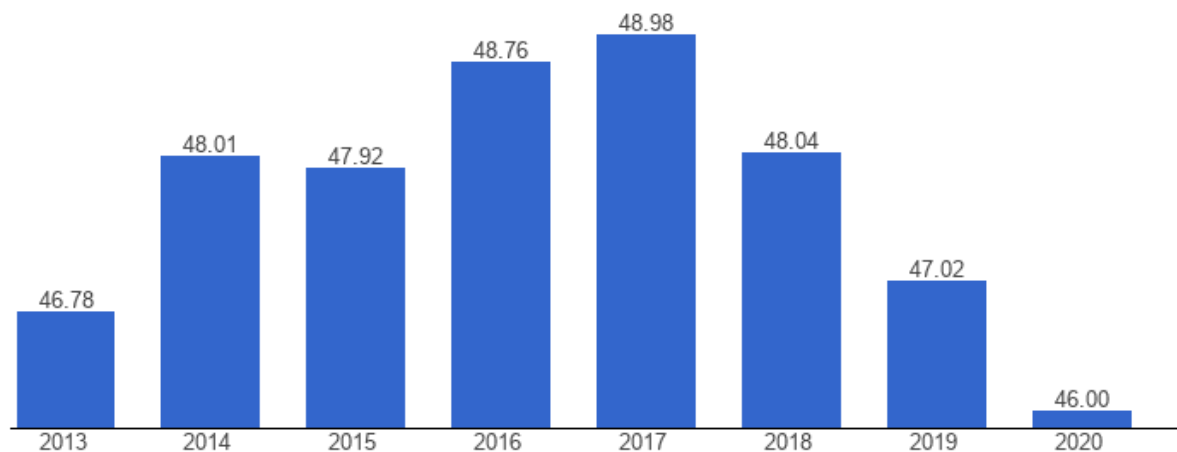
However, globalization has many economy and trade advantages in the developing countries, we must also note the many disadvantages that globalization has created for the poor countries. One reason globalization increases the inequality between the rich and poor, the benefits globalization is not universal; the richer are getting rich and the poor are becoming poorer. Many developing countries do benefit from globalization but then again, many of such nations do lag behind." In the past two decades, China and India have grown faster than the already rich nations. However, countries like Africa still have the highest poverty rates, in fact, the rural areas of China which do not tap on global markets also suffer greatly from such high poverty (blogspot.com.2009).

On the other hand, developed countries set up their companies and industries to the developing nations to take advantages of low wages and this causing pollution in countries with poor regulation of pollution. Furthermore, setting up companies and factories in the developing nations by developed countries affect badly to the economy of the developed countries and increase unemployment.

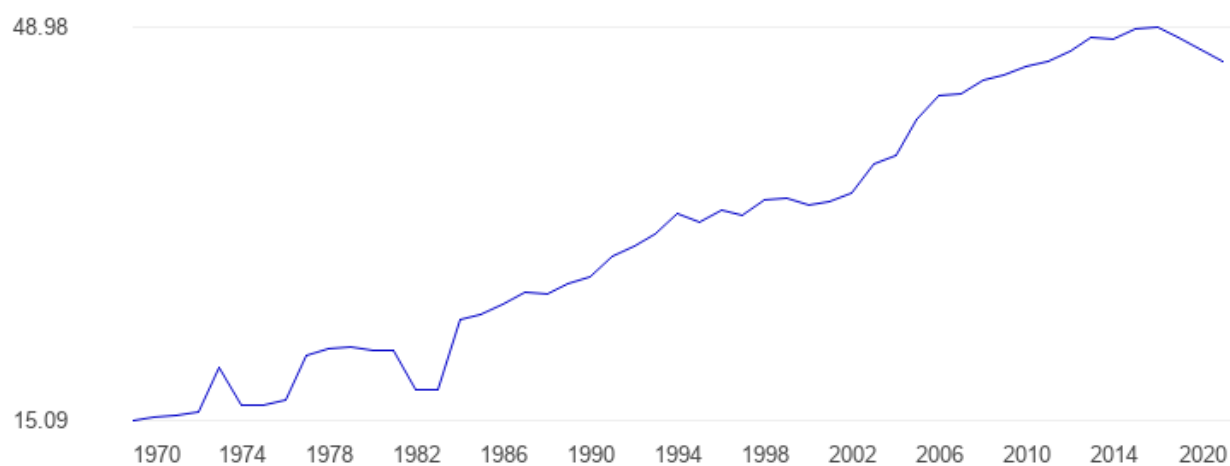
From the data of Globalization index (0-100) by (The Swiss Institute of Technology in Zurich), of Nepal from the year 1970 to 2020 was 31.49 points with a minimum of 15.09 points in 1970 and a maximum of 48.98 points in 2017. The latest value from 2020 was 46 points. For comparison, the world's average in 2020 based on 191 countries is 61.39 points.

Thus, the data confirms that the Globalization index of Nepal is lower than the data of the world's average in 2020.

Recent data of Globalization index of Nepal.



Longer historical series of Globalization index of Nepal.



Source: The Swiss institute of technology in Zurich.

Political globalization

The globalization of political refers to the absence of the absolute sovereignty of a state's political borders over a certain area as well as increased interaction between the systems of government and increased external intervention and interaction on the basis of democracy, non-governmental organizations, human rights, and freedoms (IGI knowledge). Political globalization refers to the ripple effects and continuity of political relationships between countries. Setting up international organizations such as the UN, NATO, WTO, which debates and regulate international politics and trade, is also an example of this type of globalization.

Globalization also paved the way for international laws and clauses that secure the rights and interests of smaller nations. Modern globalization is primarily driven by business. Thus, less powerful countries with rich natural resources often run into devious companies with vested interests. Therefore, international organizations protect these countries.

Through political globalization we can easily contact and talk to other countries' leaders in times of crisis or concern. We are able to resolve issues, and help spread democracy through the use of globalization, which has helped lower boundaries and borders as a result of war. Political globalization can be seen in changes such as democratization of the

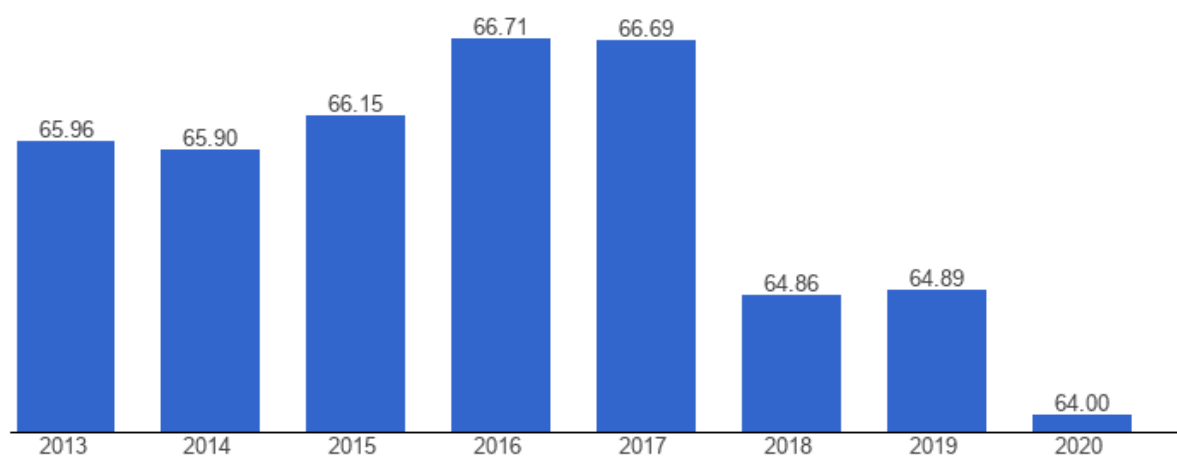
world, creation of the global civil society, and moving beyond the centrality of the nation-state, particularly as the sole actor in the field of politics (wikipedia).The role of political globalization on this point is forcing governments to adopt global institutions.

It increases the number of international organizations in which a country is a member. This makes governments more accountable in the global area and forcing them to pay attention to protect human rights.

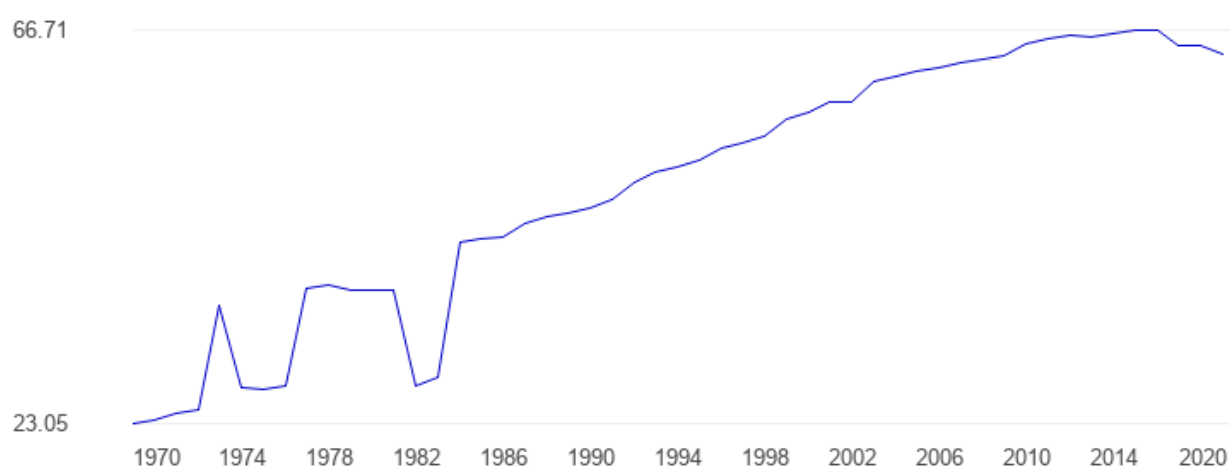
From the data of political globalization index (0-100) by (The Swiss Institute of technology In Zurich), of Nepal from year 1970 to 2020 was 49.21 points with a minimum of 23.05 points in 1970 and a maximum of 66.71 points in 2016. The latest value from 2020 was 64 points. For comparison, the world's average in 2020 based on 191 countries is 64.19 points.

Thus, the data confirms that the political Globalization index of Nepal is lower than the data of the world's average in 2020.

Recent data of political Globalization index of Nepal.



Longer historical series of social globalization index of Nepal.



Source: The Swiss institute of technology in Zurich.

Social globalization

Social globalization refers to the sharing of ideas and information between and through different countries. In today's world, the Internet and social media is at the heart of this. Good examples of social globalization could include internationally popular films, books and TV series (Totur2u).

Social globalization also provides cultural integration among the world's people, and it changes lifestyles and consumption patterns worldwide. Globalization is social change associated with increased connectivity among societies and their elements and the explosive evolution of transportation and telecommunication technologies to facilitate international cultural and economic exchange. The mixing of people and cultures from all over the world enables the sharing of ideas and lifestyles, creating vibrant cultural diversity.

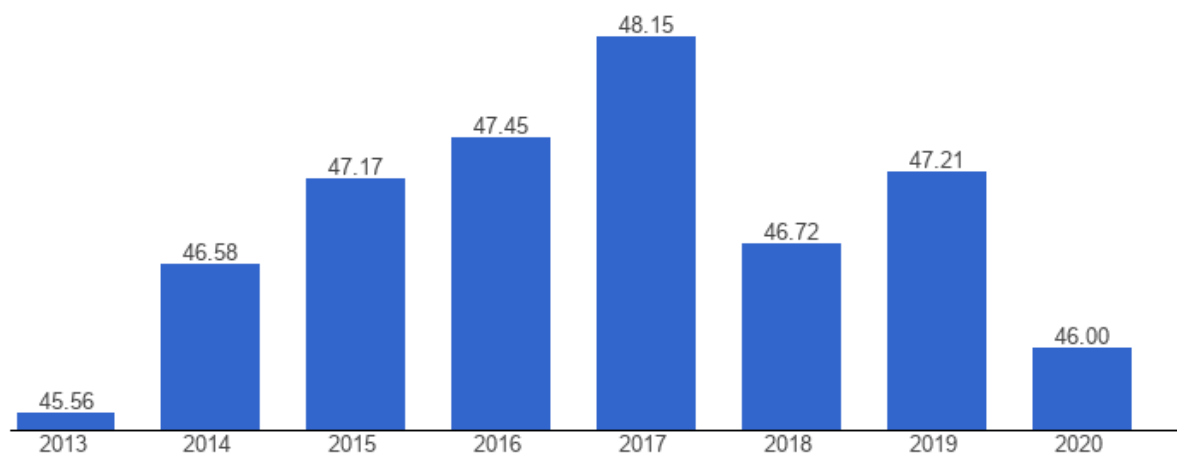
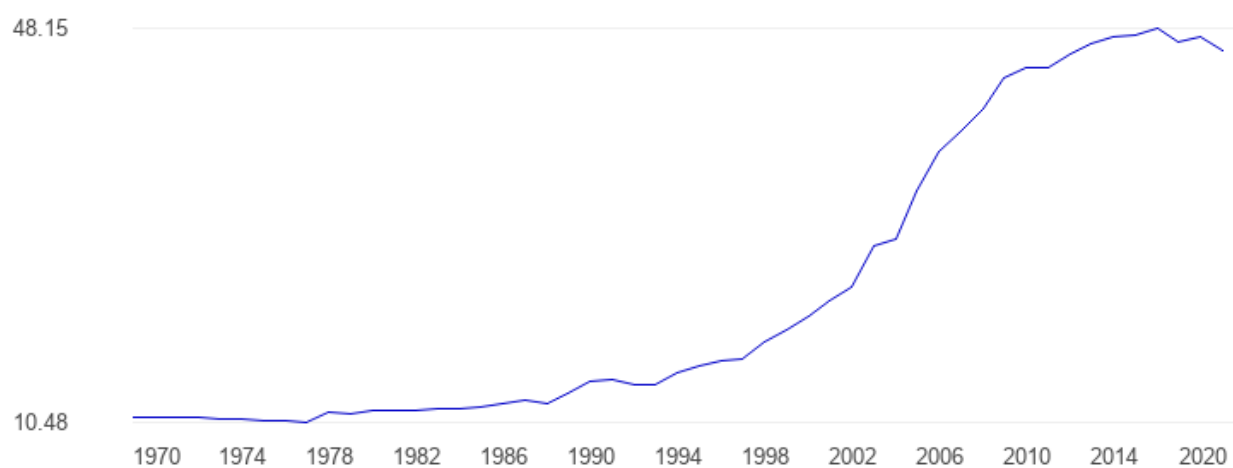
Social globalization also provides cultural integration among the world's people, and it changes lifestyles and consumption patterns worldwide. The consequences of this change can have positive and negative effects. These changes affect people's identities and cultural values, which sometimes become altered significantly. Whether it is between generations, or intra-personally, new values can cause dissonance and conflict with existing deeper-rooted values.

Some argue that globalization is a positive development as it will give rise to new industries and more jobs in developing countries. Others say globalization is negative in that it will force poorer countries of the world to do whatever the big developed countries tell them to do.

The movements of people from rural to urban areas has accelerated, and the growth of cities in the developing world especially is linked to substandard living for many. Family disruption and social and domestic violence are increasing.

From the data of social Globalization index (0-100) by (The Swiss Institute of Technology in Zurich), of Nepal from the year 1970 to 2020 was 22.98 points with a minimum of 10.48 points in 1970 and a maximum of 48.15 points in 2017. The latest value from 2020 was 46 points. For comparison, the world's average in 2020 based on 191 countries is 63.76 points.

Thus, the data confirms that the social Globalization index of Nepal is lower than the data of the world's average in 2020.

Recent data of social Globalization index of Nepal.**Longer historical series of social globalization index of Nepal.**

Source: The Swiss institute of technology in Zurich.

Economic globalization

Economic globalization refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies (Gao Shangquan). In other words, Economic globalization is a process of economic and trade activities, with countries around the world into an increasingly integrated market forces without any resistance by the territorial limits of the country.

Economic globalization refers to the widespread international movement of goods, capital, services, technology and information.

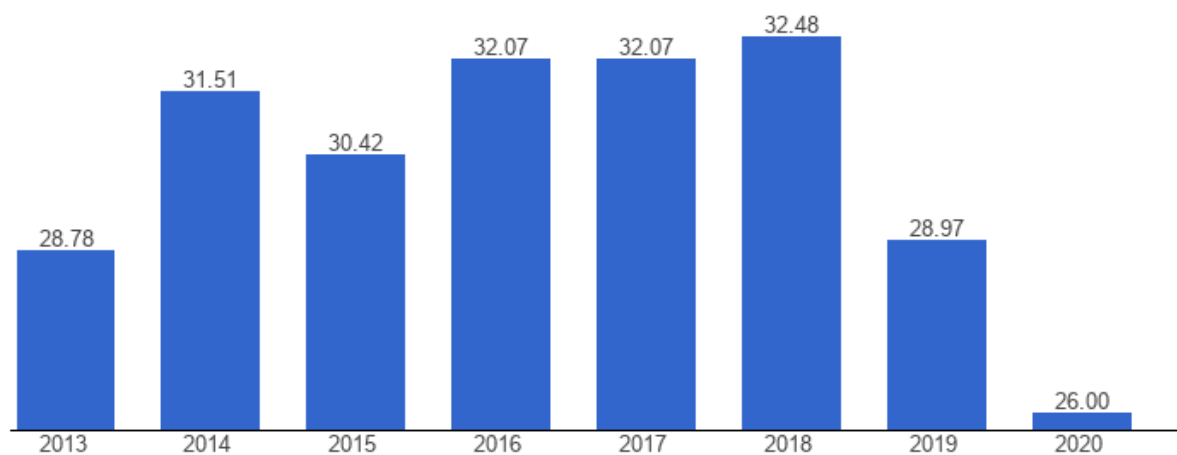
It is the increasing economic integration and interdependence of national, regional, and local economies across the world through an intensification of cross-broader movement of goods, services, technologies and capital. Economic globalization primarily comprises the globalization of production, finance, markets, technology, organizational regimes, institutions, corporations, and people. Economic globalization is the basis of higher education internationalization. Economic globalization is the outcome of the development of the world economy, and economic globalization accelerates economic development, expands the market horizon and increases productivity.

The characteristic elements that constitute economic globalization are cross-border flows of goods and services, capital, people, data and ideas. Economic benefits of globalization include increased consumer choice, higher quality products, economies of scale and increased capital flows into locations where it is needed most.

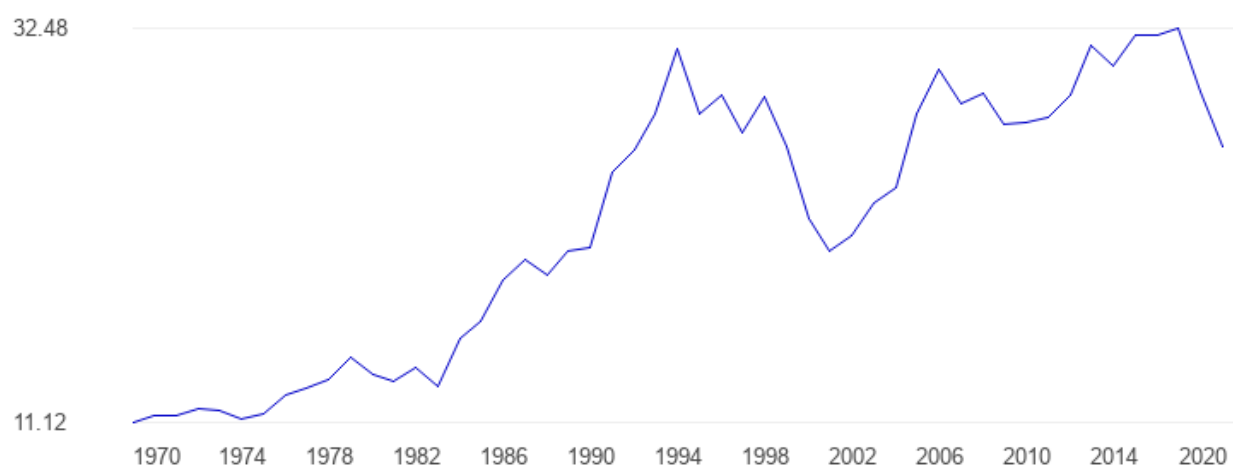
From the data of economic Globalization index (0-100) by (The Swiss Institute of Technology in Zurich), of Nepal from the year 1970 to 2020 was 21.09 points with a minimum of 11.12 points in 1970 and a maximum of 32.48 points in 2018. The latest value from 2020 was 26 points. For comparison, the world's average in 2020 based on 185 countries is 57.27 points.

Thus, the data confirms that the economic Globalization index of Nepal is lower than the data of the world's average in 2020.

Recent data of economic Globalization index of Nepal.



Longer historical series of economic globalization index of Nepal.



Source: The Swiss institute of technology in Zurich.

CHAPTER III: SUMMARY AND CONCLUSION

Summary

In summary, the impact of globalization in Nepal is a complex issue with both positive and negative effects and impacts. On the one hand globalization gives businesses the opportunities to expand into new markets, reach international buyers, and increase revenue which helps them to grow by meeting foreign demand. In order to cooperate globally, companies must share similar technological structure. A centralized base of knowledge allows companies to quickly transfer information and develop innovative solutions.

Globalization enhances cooperation by enabling countries to specialize. This allows them to leverage their economic strengths and trade those products for other resources. On an interpersonal level, studies have shown that globalization promotes tolerance, as people are exposed to new cultures and network with others across the globe.

Studies have found that globalization enhances economic growth by distributing resources more efficiently because countries can specialize in activities with comparative advantages. It also promotes growth indirectly through complementary reforms in terms of capital and financial development.

On the other hand, a trade imbalance, also known as a trade deficit, occurs when a country spends more on imports than it makes on exports. This creates a shortfall in capital that the country must make up for either by borrowing money from foreign lenders or permitting foreign investments in its assets.

Although free trade can increase a nation's wealth, it also increases competition. Local businesses must compete with multinational corporations that produce cheaper goods at lower costs, which puts them at a disadvantage. At the same time, the increase in choices impacts buying behaviors, as customers expect high quality products at low prices. That means companies must continuously adapt to meet demands.

When industrialized countries outsource labor, it causes a shortage of jobs domestically. Laborers whose skills are no longer in demand experience higher unemployment, and struggle to adapt to the changing labor market.

Conclusion

Globalization is the process of increased interconnectedness among the countries most in the most known popular areas of economics, politics, social, and culture. All of these areas are key aspects of each country and what makes them individualized. Globalization allows for countries to be able to be individuals without the conflict of their differences because of the power used to work as a whole globe. Globalization is a positive thing for the entire world, it allows for lots of development in our world by the connection there is between all of the countries interdependence on each other. The different points of globalization claim that it will lead to convergence of income, access to knowledge and technology, consumption power, living standards, and political ideas.

Despite the challenges, expanding into foreign markets remains one of the most popular ways to grow a business. However, before you can “go global” you need a strategy that addresses the language, cultural, and legal barriers in different nations.

In general, globalization decreases the cost of manufacturing. This means that companies can offer goods at a lower price to consumers. The average cost of goods is a key aspect that contributes to increases in the standard of living. Consumers also have access to a wider variety of goods.

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