**Economic Impacts of Globalisation**

**1.1 Economic Growth**

* **Definition**: Economic growth refers to an increase in a country's production of goods and services, measured through Gross Domestic Product (GDP).
* **Key Drivers**:
  1. **International Trade**:
     + Globalisation allows countries to participate in the global economy and reach larger markets beyond domestic consumers.
     + Expands opportunities to sell goods and services to other countries.
  2. **Foreign Direct Investments (FDIs)**:
     + Involves long-term investments from one country to another, including setting up operations or acquiring businesses.
     + Brings advanced technology and skills, boosting productivity and job creation.
* **Example: Singapore**:
  1. Singapore attracts FDIs from countries such as USA and China. Billions of dollars of investments in Singapore in 2021.
     + Google has increased its FDI in Singapore to US$5 billion ($6.7 billion) with the completion of its fourth data centre here
     + This foreign direct investment boosts Singapore’s Digital Economy creates high skilled jobs such as cybersecurity experts and AI specialists which pays well and improves standard of living for locals.
     + It also boosts local businesses who rely on Google cloud services bringing in more business opportunities and revenue.
     + Singapore has also benefitted from earning from taxes from Google.
  2. Engaged in Free Trade Agreements (FTAs) such as the EU-Singapore FTA, which removed tariffs and increased market access for goods like food products.
  3. Singapore also invests in other countries such as China, India and Indonesia leading to more economic growth.
* **Impact:**
  + - Sustained GDP growth over decades (e.g., from $2.1 billion in 1960 to $643.5 billion in 2020).
    - This provided more revenue for Singapore which was then able to enhance its infrastructure which in turn will lead to more economic activities.
    - Promotes the transfer to skills and expertise to local businesses and creates jobs with higher salaries.
    - Being part of the global economy allows country’s goods to be sold to other countries -> more customers means more revenue.

**Improving economic competitiveness**

* Countries can try to improve their competitiveness by the availability and quality of infrastructure, technology, costs and skill levels of labour and political stability.

**1.2 Economic Vulnerability**

* **Definition**: Interdependence in a global economy means disruptions in one country can have ripple effects on others.
* **Key Risks**:
  + Dependency on imports/exports makes economies vulnerable to crises like wars, pandemics, or supply chain disruptions.
  + Declining demand for goods or withdrawal of investments can result in job losses and business closures.
  + Job losses may lead to reduced demand for goods and services further worsening the economy.
* **Example: Russian-Ukraine Crisis**:
  + Sanctions on Russia led to shortages and increased prices globally, affecting industries like semiconductor manufacturing in Asia.
  + The export of wheat from Russia was affected leading to an increase in food prices in Europe who depended on Russia for wheat.
  + Ukraine ports were damaged which meant goods cannot be transported -> this disrupted supply chains.
  + Countries dependent on exports/imports from Russia faced economic challenges.

**1.3 Employment Opportunities**

* **Benefits**:
  + Globalisation allows businesses to reach a larger market leading to more demand for goods and services from the country.
  + More jobs created due to the presence of MNCs and FDIs.
  + Advanced technologies introduced by MNCs lead to higher-skilled, better-paying jobs.
  + Easier mobility for individuals to work overseas, enhancing career prospects and incomes.
* **Example: Amazon**:
  + During the COVID-19 e-commerce boom, Amazon hired 427,300 employees globally, ranging from warehouse workers to tech specialists.
  + Impact: Individuals gained diverse job opportunities, increased income and improved standards of living due to the growth of online shopping during the pandemic

**1.4 Employment Challenges**

* **Challenges**:
  + Increased competition from foreign labour as mobility grows.
  + Relocation of MNCs to countries with lower labour costs leads to job losses.
  + Automation replacing manual jobs, especially in manufacturing also leads to job losses.
  + Those with less education and skills have a higher risk of being replaced by cheaper labour from other countries or by automation and artificial intelligence.
* **Example: Amazon**
  + Amazon retrenched 18000 staff in 2022 and another 9000 in 2023.
  + This was after the Covid Pandemic when demand for Amazon products had reduced thus leading to less manpower needs with the digital cloud services department.
  + Amazon had expanded rapidly during the pandemic due to high demand for digital services and hence it was now downsizing to manage its manpower costs.
  + In Singapore, about 2000 workers were retrenched.
  + This would lead to unemployment, loss of income and hardship for those affected.

**Responses to Economic Impacts of Globalisation**

**2.1 Government Support**

* **Strategies**:
  1. **Economic Cooperation**:
     + Signing FTAs to promote free trade by reducing tariffs and increasing market access.
     + Example Singapore Australia Free Trade Agreement in 2003.
       - Removed tariffs on all imported goods and increased the number of Australian universities whose law degrees are recognised in Singapore.
     + Example Multilateral FTAs -> European Union – Singapore FTAs
       - EU would remove tariffs on Singapore goods entering the EU. -> Increased market access for goods from Singapore leading to more trade. -> led to a 12% increase in exports from Singapore to the EU during Covid - > this provided more revenue and business opportunities for local businesses.
  2. **Attracting Investments**:
     + Policies to maintain stable inflation and favourable business environments.
     + Example: Singapore's Monetary Authority ensures economic stability to attract investors.
  3. **Financial Support**:
     + Example: During the COVID-19 crisis, Singapore launched a $4 billion Stabilisation and Support Package to assist affected sectors like aviation and tourism.
     + Helped to cushion the negative impact of Covid-19 when countries began to close their borders.
     + Jobs were saved and employers could continue to pay wages with the government support.
  4. **Digitalisation Initiatives**:
     + Government agencies provide resources to help businesses innovate, develop talent.
     + Example: Go Digital Programme helped SMEs adopt technologies, boosting their resilience and productivity.
     + Enables businesses to become more resilient and adapt to disruptions. - > E.g. Mrs Lily Loh managed to upgrade her ikan bilis powder business from a home-based business to a full scale factory selling to customers overseas.
* **Impact**:
  1. Governments sustain economic activity, create jobs, and reduce vulnerabilities.
  2. Governments can help businesses find new business opportunities which will help them remain in business.
  3. This will ensure Singapore’s economy remains stable.

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

* Individuals should be willing to acquire new knowledge to keep up with rapid technological changes -> this will help them remain employable
* Willing to try out new industries.
* Ensure they save and invest appropriately to help them tide over periods of unemployment or loss of income.
* **Importance**:
  + Lifelong learning ensures workers remain relevant in an evolving job market.
  + Upskilling in areas like digitalisation, coding, and data analytics boosts employability.
* **Example: SkillsFuture in Singapore**:
  + Provides credits for Singaporeans to enroll in courses that enhance their skills.
  + Mid-career workers aged 40+ receive additional support to transition into in-demand sectors.

**Impact:**

* By upskilling, individuals can remain relevant in the job market where their skills are in demand. This will ensure they remain employed.
* It will ensure they remain competitive in a changing world.
* Unemployment is controlled and this ensures stability in the economy.