Effects of globalization on developing countries pdf

Developing countries have a positive and negative effect in many aspects, from internal affairs to foreign affairs. Globalization can have severe effects on both positive and negative countries. I will examine the positive and negative effects of globalization on the economies of developing countries, the process of trade, education and the health system. Globalization has helped less developed countries recover as the economy develops in the rest of the world. This has solved the problems of poverty in these countries. In the past, this was impossible for less developed countries because of trade barriers. The World Bank and international management are encouraging these less developed countries to push behind market reforms. Many countries began to move towards these changes by eliminating tariffs and releasing their economies. Fariooz Hamdi The Impact of Globalization in the Developing Countries LinkedIn June 11th 2015. Developed nations invest in less developed nations, leading to job creation for poor people in less developed countries, a positive result of globalization. Yet globalization has had its negative effects on these less developed nations. Globalization has increased inequality in developing nations between the rich and the poor. The benefit of globalization is not globalization. Globalization makes the rich and poor richer. The health and education system in developing countries has benefited in a positive way due to the contribution of globalization. Education has increased in recent years as globalization has created jobs that require higher education. Health and education are fundamental goals for improving every nation, and there are strong relationships between economic growth and health and education systems Fariooz Hamdi impacting globalization in developing countries LinkedIn June 11th 2015. Globalization has helped improve the rates of developing countries living standards of illiteracy and life expectancy. With globalization, more than 85 percent of the world's population can expect to live for at least sixty years, and that's actually twice the average life expectancy 100 years ago, according to the World Bank (2004). Increased trade and travel, diseases for example HIV/ADIS, swine flu and plant disease thresholds, easily cross borders. Firouz Mustafa Hamdi impacts globalization in developing countries 11 November 2013. Another drawback of globalization is the loss of highly educated and qualified professionals in developing countries due to migration to developed countries for a better life. It is safe to say that globalization has good benefits and negative backwardness for developing nations in the world. Globalization can be conceived as a tool and depending on how it uses the tool or how often or even in what ways it is used. Globalization can be good for a nation, depending on the developing nations and nations that invest in it. Out Council Conference, Making Globalization Work, International Trade Center, Washington, DC, March 18, 1999 My job is to talk about globalization and inequality in developing countries with an emphasis on Latin America. I have a simple point to make: Globalization puts developing countries at risk of increasing income inequality. Rising inequality in The United States over the past 25 years (during which the incomes of the poorest 20 percent of households have fallen by about 15 percent in real terms) has been rightly or wrongly blamed for changes in trade, technology and immigration patterns associated with increased economic integration with other countries. For developing countries, any risk of increased inequality associated with active participation in the global economy is even greater, if only due to inherent institutional weaknesses more associated with being poor. Latin America has a particular disadvantage: its historical legacy of already high inequality. Inequality, which is currently high, complicates the task of managing effective conflict, which Donnie Roderick recently reminded us is a vital input for managing open economies. In the past, for example, high inequality combined with redistribution policy led to periodic bouts of populism in Latin America - ineffective and counter-production efforts to manage conflicts sparked by the dangerous combination of high inequality and hard times. let me start with two default comments . First, globalization - which is the trend of increasing the integration of economies in terms of not only goods and services, but ideas, information and technology - has tremendous potential benefits for developing countries. what i say shouldnt offer otherwise . The challenge is to realize the potential benefits without doing a huge uncomfortable fee. Second, not all inequality is a bad thing, some inequality represents a healthy result of differences across individuals in ambition, motivation and willingness to work. This constructive inequality provides incentives for mobility and rewards high productivity. Some say constructive inequality is the hallmark of equal opportunity society that America symbolizes. The increase in this constructive inequality may simply reflect faster growth in income for the rich than the poor - but with everyone sharing in some growth. But of course it can be true that inequality is destructive when, for example, it represents profound and ongoing differences across individuals or groups in accessing assets that generate income - including not only land (which is heavily unequally distributed in Latin America) but, most importantly, in today's global information age, the asset of education. Obviously, this destructive inequality undermines economic growth and efficiency, by reducing incentives for people to work, save, innovate and invest. And it often leads to perception if not the reality of injustice and unfairness - Political risk in the short term is a backlash against market reforms and market institutions that are common and sustainable in the long run of critical material growth. I have three parts to my words: first, about inequality and market reform; second, about inequality and the recent financial crisis; third, in what to do, or more large in policy implications. On inequality and market reform, consider examples of how market reforms associated with globalization can affect inequality in developing countries. First, trade liberalization. On the one hand, trade liberalization makes economies more competitive, thus reducing disqualified rents by themselves. The end of import replacement programs and rationing related to currency access have probably been the biggest single factor in reducing the corrosive effects of corruption and rent seeking in Latin America. Trade liberalization can also produce new labor-intensive jobs in agriculture and manufacturing - raising incomes for example from the rural poor. And trade liberalization implies cheaper imports, reducing the actual cost of consumption for the urban poor - who, after all, unlike the wealthy, use most of their income for consumption. On the other hand, recent evidence suggests that trade liberalization leads to an increase in the wage gap between educated and illiterate, not only in OECD countries but also in developing countries. Between 1991 and 1995, the wage gap increased for six of the seven Latin American countries for which we have good wage data. The exception is Costa Rica, where education levels are relatively high. Apparently, combining technology change with the globalization of markets is to raise demand for and premium wages to skilled workers faster than the training system of supplying skilled and trainable workers. In Latin America education levels have been increasing, but painfully slowly - with the example of only 1.5 years of additional training added to the average workforce training in three decades (versus double that increase in Southeast Asia). And the distribution of education, though slowly improving, is still very unequal, meaning many today's workers have even below the current average of about 4.8 years of completed education. In short, the impact of trade liberalization depends on inequality - including how much comparative advantage a country uses in agriculture or labor productive exports, and to what extent education has been increasing and is now widely shared. In Costa Rica, with good education and a high proportion of the poor producing small coffee-holders, trade liberalization has had equal effects. But in Mexico, where rural poor are concentrated in food production and education levels are still low and unequally shared, income fell for each income distribution decile between 1986 and 1996 except The richest, where it rose 15 percent. Unfortunately, Mexico is probably more conventional than Costa Rica. For the region as a whole, though trade liberalization is likely to increase average incomes, it is also likely to increase inequality, at least in the near future, because education efforts kick in and because of the region's adaptive advantage (other than Costa Rica and Uruguay) in intensive capital rather than creating natural resource-based manufacturing jobs. The second example is privatization. The privatization of facilities (electricity, water, telecommunications) has been good news for lower income distribution deciles developing around the world. why? Because it has dramatically increased access to services. Prior to privatization, publicly managed facilities were chronically financially insequential, and their services were heavily rationed. The rich had access to water to fill their swimming pools (and often at artificially low prices meant protecting the poor!) while the poor paid 20 times the unit fee to buy water from private trucks. On the other hand, it is increasingly apparent that privatization poses severe risks to concentrating wealth unless done well and with full complement of regulation. In small economies with limited competition and a high concentration of political and economic power, even privatizing firms that will face gun-length and more transparent market rules in larger settings can end up locking in rather than eliminating private privileges. In a recent Latin American survey, respondents agreed with a three-to-one public statement that a market is the best. But in Argentina, Peru, Colombia, Uruguay and Panama, less than half supported the idea that privatization had been useful - apparently due to the widespread notion that the high cost of newly privatd services represented a lack of real competition. Russia, of course, is the most extreme example of the danger that corruption will infect the privatization process. Those of you who are familiar with the saga of bank privatization in Mexico in the early 1990s, and the next political crash in 1998 (when an audio proposal from a technical perspective was almost derailed by the political effects of rescuing many bank owners and borrowers in 1995) recognized the political risks associated with a privatization process that ends up amplifying rather than disseminating the initial inequality of wealth and privileges. He knows it. The risks of privatization arise because developing and transitional economies, almost by definition, are handicapped by relatively weak institutions, less well-established transparency rules, and often, not only high concentrations of economic and political power, but also a high correlation between those two areas of power. These conditions are combined to actually make it difficult to manage the privatization process in a way that is not disqualified. Third: Mali On the one hand, there is little doubt that low- and middle-income consumers and small and medium-sized businesses were the biggest losers of the 1980s with repressed Latin American banking systems. Controls on interest rates reduce their access to any credit at all, and the government administers credit allocations of interest to small companies only on paper. Similar arrangements almost certainly punished the middle class and the poor in Africa. In the medium term, eliminating financial repression and increasing competition for a modern and freed financial sector will increase access to the credibility of small firms and increase the return to bank deposits that are the main car for small savers. The benefits of small business in turn are likely to produce more good jobs and raise wages for the working poor. Yet in the short term at least, financial liberalization tends to help those who are more already assets, increasing the concentration of wealth that is in the medium term of high income focus. For one thing, liberalization increases potential returns to new and more risky tools for those who can afford a diversified portfolio and therefore greater risk, and access to information, and the relatively lower transfer costs that education and knowledgeable colleagues provide. In Latin America, with repeated struggles of inflation and currency declines over the past few decades, the ability of those with more financial assets to move them abroad (often while accumulating corporate and bank debts that have socially socially and thus ultimately been repaid by taxpayers) has been particularly disqualified. In Mexico between 1986 and 1996, small savers who kept their assets in bank savings accounts lost about 50 percent, while those able to invest in stock instruments noticed modest gains. Those who transferred their assets to dollars or dollar index instruments before the 1994-95 devaluation did their best in terms of local purchasing power. On inequality and the financial crisis of the recent financial crisis has highlighted how volatility associated with global capital markets can compound the problem of destructive inequality in developing countries. For example, high capital inputs generate inflationary pressure and hurt labor intensive agriculture and manufacturing exports, especially but not only under fixed exchange rate regimes. In Asia and Latin America, Gini coefficients of inequality increased during the boom years of high capital input in the mid-1990s, as portfolio inputs and high bank lending fueled demand for short-term non-elastic assets such as land and stocks and benefited the wealthy. In both regions the poor gained less during the boom, and then lost more by bust. During the bust, with capital evasion, high interest rate countries are forced to impose to protect their currencies (again, whether the exchange rate is fixed or floating), hurting small companies from capital starvation and Low-wage employees have more, and of course reduce employment in general. In Latin America, a high-interest environment also tends to benefit from net protectors and hurt small debtors, with a rollback impact; this has certainly been the effect in Mexico and Brazil. Helmut Rizsen recently pointed to the impact of the additional rollback of the financial cost of bank collateral in developing countries, only because the impact of redistribution of public debt tends to be negative. He remembers Mact Keynes on monetary reform, where Keynes reminds us that public debt implies a transition from taxpayer to renter. Worse off in economies historically plagued by Latin American inflation (though this is significantly much less the case today), the poor keep cash, non-interest bearing the part of debt that has been subject to significant inflation tax. The emerging market problem is facing a wider one. As global market players doubt their commitment to fiscal parity at the time of each shock, they are forced into tight fiscal and monetary policy, regaining market confidence, at exactly the moment they will ideally implement anti-cyclic fiscal and monetary measures in the face of recession in order to stimulate their economies. The austerity policies that the global capital market wants from emerging markets are exactly the opposite of what IAO economies can afford to implement - relatively automated Keynesian stabilizers as unemployment insurance, increased availability of food stamps, and public works employment programs, the ingredients of a modern and effective social safety net. Furthermore, we now know that the effects of unemployment and bankruptcy on the poorer half of the population can be permanent; in Mexico, increased child labor force participation and declining school enrollment have not reversed during the 1995 recession. Similarly, falling in employment opportunities for labor force participants can have lifelong effects on job possibility and earning potential for affected cohort. What to do about: Are there policy implications? There are implications for domestic politics, and for international economic policy. On the domestic policy side, one of the obvious consequences of emerging market economies' vulnerability to fluctuations in global capital availability is the decline in reliance on foreign capital. Donnie Roderick stresses the centrality of a locally funded investment push to the success of small open-developing economies, implying the need to increase private and/or public savings. The recent crisis, for a different reason, highlights the importance of public savings. If public spending in developing countries is to play an efficient social and economic anti-cycle role during a recession, public savings in the form of previous fiscal surpluses and precautions should already have created the necessary financial space to finance safety net programs. Today, Brazil has virtually no such funding. And it's paying the price for rising inequality. Chile has space and any increase in inequality will be lower. Of course, maintaining and insulating a fiscal surplus is not easy – as the current debate on surplus policy in America shows. Moreover, developing countries face the same problem as OECD countries: raising income to finance a social safety net requires taxes on people. In a global economy there is evidence that foot capital taxes (and even income taxes on highly educated and internationally mobile workforce) are increasingly difficult. David Hill noted this morning that Singapore and South Africa have recently cut corporate taxes. So countries sarcastically need more taxes in the good times of those most vulnerable in bad times - and to the extent that these innocent spectators have increased to the extremes of boom and bust cycles, imagining if not the reality of sharing unfair times. A reliable income for an effective safety net minimizes the welfare and loss of the human capital of the poor otherwise suffer with economic or other shocks. But in the medium run, the best vaccine against inequality is widespread access to good education. In today's age of global information, education is the property of the people; the more there is, the less inequality of real total wealth in the long run. Still unfortunately, in many Latin American countries, education is a vehicle for strengthening to offset the initial differences across households in income and wealth. Elsewhere I have written and talked about the need for aggressive targeted public programs to bring good education to the poor. Unfortunately, in a wealthy circle, education for the poor is a political and technical job in which high current income inequality, such as Latin America, limits the effective demand of poor households and generates resistance from wealthy households to use public fisk to finance effective basic education. The third key element of domestic policy to tackle inequality is what might be called aggressive EOF bias, as one of the constant and intense equals the opportunity to fine- regulate economic policies. For example, if macroeconomic equilibrium requires high interest rates, temporary measures to ensure equal access to credit for small and small enterprises may be guaranteed. If a major restructuring of the financial sector is needed, distributed considerations demand that bank shareholders assume their share of losses; not all costs should be passed on to depositors and taxpayers. Privatization schemes can impose special regulations under which small investors can buy large amounts of shares, and can borrow at reasonable rates to buy existing shares - as has been tried in Peru; or can be arranged to generate widely distributed benefits for all citizens in the form of future retirement assets, as in Bolivia. What happens to the international economy And policies? At first, international financial institutions could pay much more attention to the political reality of asset and income inequality in developing countries. Constitutionalism associated with lending and international grants can be much more explicitly focused on reducing subsidies that benefit the wealthy, encouraging and financing market-friendly land reform, and, most importantly, in ensuring that there is an effective public education, to which the poor depend heavily on whether they are going to join the benefits of a market economy. Second, OECD countries can re-visit their trade stance as it affects the poor in developing countries. Protecting agriculture and textiles is discriminatory against the poor within countries. The head of the World Trade Organization has proposed eliminating tariffs on all imports of the world's 50 poorest countries. This reduces income inequality not only throughout but also within poor countries. Third, the poor and vulnerable in developing countries may well benefit from some international financing of net anti-cycle safety programs in an emerging market economy that has been hit by a global liquidity crisis. Max Corden has set conditions that would suit such financing, which includes a solid record of vocal fiscal policy in receiver countries; the political capacity to mount such programs without corruption and open them up when the crisis retreats; and the long-term financial capacity to serve any resulting foreign debt. These are strict conditions, but the reality is that Mexico could have qualified in 1995 and Korea in 1998, thus reducing the extraordinary and terrible costs of human welfare, and the perpetual losses of human capital associated with the impact of financial crises on that Joe Stoglitz have called on innocent spectators. International financing is currently being used during liquidity crises to build reserves (and thus market confidence) and finance imports. Why do we know so little about potential costs (such as the effects on inflation) and the benefits of foreign financing marked for temporary increases in social insurance costs and safety net programs? In the end, developing countries face special risks that globalization and market reform, reflecting and strengthening their integration into the global economy, will exacerbate inequality at least in the short term and raise the political costs of inequality and related social tensions. Risks are likely to be greatest in the next decade or so, as they undergo a more difficult transition to more competitive, more transparent and law-based economic systems with wider access to assets, particularly education, that ensure equal access to market opportunities. During that transition, the greater emphasis on minimizing and managing inequality, in making the market game as fair as possible, even in the short term, minimizes one's real risks And the populist reaction. The backlash will be embarrassing, as in a perverse twist, to undermine the benefits that more integrated and integrated world-class economies and policies can deliver to all people in the developing world. World.