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Topic: Globalization and National economies

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The Essay

After a long confrontation of ideological conflicts between the US and the Soviet Union post-WW2, the Soviet Union collapsed in 1991. Capitalism and Liberalism took a center stage of the world. The idea of free trade emerges and soon after that the world shifted into a global village. This connectivity of the world resulted in interdependence, cultural exchange and economic growth of the countries. The trade connectivity in return uplifted the global economy and increased foreign investments that lead to the growth of economies. Moreover, the world witnessed a decrease in poverty levels, stable political environment, development of humane and inclusive institutions. Beside these developments, new technologies emerged in the form of internet and social platform.

However, not only states but also non-state actors also played an important part by increasing cooperation and helping countries in the time of crisis. Globalization played a pivotal role in the growth of national economies.

Globalization is a term usually used when countries connect with each other for their national interest. According to Thomas Friedman, "Globalization is integration and interaction among people, companies and states." Today, concept of globalization is interlinked with many other terms such as globalization of sports, globalization of culture and globalization of education. The most commonly used term is globalization of economies. The connection among national economies has made the world a global village. This connectivity has

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impacted a large number of economies. In the following details, the ^{features and} impacts of globalization are discussed.

One of the most important features of globalization is interdependence. The states use their geo-economic policies to create positive interdependence of other states. ~~on~~ This helps in reaping the benefits of demand of other states. For instance, the Gulf countries especially Saudi Arabia has created positive interdependency for other states that rely on the natural resources of these countries. Hence, this interdependency is one of the most important features on which countries can rely on for economic growth.

Secondly, another important feature of globalization is cultural exchange. The countries use this feature to create a soft image in the world which further increases their interest. This soft image helps a country to

influence other states to increase the trade and share their resources. The program of USAid that invest in cultural, social and educational exchanges has enhanced the image of the US on the world stage. In short, countries use this feature of globalization to improve their image.

The third significant feature of globalization is economic growth. The countries in the world with good economic health have utilized this feature by shifting from inward looking economy towards outward looking economy. For instance, the rapid rise of China as a global economic power demonstrate the use of this globalization. Besides economic growth, China was also able to overcome

higher poverty levels. This shows that how countries have grown economically by the help of globalization.

Moving on, ~~we~~ ~~with~~ the impact of globalization on economic growth are various. These impacts result in development of both socio-economic spheres of life.

To begin with, the most important impact of globalization is uplifting global economy with the increase in trade connectivity. The trade involves import and export of a country with another country. This trade has resulted in the increase of global GDP due to the increase in shared resources among national economies. According to WTO Report, as of 2022, world trade value has expanded 6% annually since 1990 which has significantly increased the global GDP. Therefore, the trade connectivity with the help of globalization has significantly impacted global economic growth.

Moreover, the increased economic pie in the form of global GDP also increase the number of foreign investments. The countries tend to globalize their investments to earn profits from other states that have high potential growth. For instance, China's Special economic zone (SEZs) have attracted about 60% of its total foreign direct investment during early 1990s till late 2000's. This increased investment due to the increased cooper-

amiation among countries have positively impacted the national economies. Therefore, the globalization benefits if used effectively can create immense opportunities.

The foreign investment in the country also helps in the growth of industry which is another impact of globalization. The states tend to enhance industrial cooperation to increase their exports which can help them grow economically in terms of foreign reserves. For example, the rise of Japan and Germany demonstrates how both the states have used their industrial base to become third and fourth largest economies of the world. Hence, post-cold war the rise in globalization helped the economies of both countries to become developed.

The increased growth of national economy also help in reducing the poverty levels. This decrease is also directly linked to globalization. The rise in multinational corporation and spread of internet technology were the major drivers behind this. According to the UN report, the percentage of people living in extreme poverty fell by half from 14% to 7.1% during 2010 and 2019. However, the spread of COVID-19 resulted in the rise of poverty levels again due to global supply chain disruption. In short, the globalization directly or indirectly has helped in reducing the poverty levels.

Poverty leads to instability. The decrease in poverty due to globalization brought political stability in various countries. Conversely, this stability in return helps the countries industrial and trade sector to grow.

Stability in politics is a product of good health of economy and good governance. For instance, the rise of Asian Tigers, particularly Singapore in terms of economic and political indicators demonstrates how both factors are intertwined. The increased indicators of economy resulted from the increased exports of the country. Therefore, the impact of globalization on national economies help in bringing the strong political fabric in the country.

~~Furtherfor~~ Furthermore, the political stability leads to inclusive institutions in the country. This is another important factor impacted by globalization. The growth in economy due to the enhancement of trade result in more inclusivity which gives number of people to participate in economic activities.

According to Daron Acemoglu in *Why Nations Fail*, the growth of economic activities lead to economic inclusive institution which

results in virtuous cycle which in turn leads to the growth of economy. However, it can have a negative consequence as well in situation where extractive political institutions result in extractive economic institutions. Therefore, the growth in national economies due to globalization can bring development of inclusive institutions.

Besides political and economic factors, globalization also impacts non-traditional security particularly human security. Post cold-war, the enhanced cooperation among the countries had a significant impact on human security. The situation in developed economies and developing economies showcase how humans in core countries are living in good conditions while majority people in poor countries struggle for basic necessities. According to Human Development Index 2022, countries like Vietnam saw significant rise in life expectancy due to easy access of medical

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advancement driven by investment in healthcare infrastructure. However, this report shows slow and poor development in sub-saharan countries. Overall, globalization has both positive and negative impacts on the human security particularly to the other internal factors

Additionally, globalization has resulted in spread of technology which has increased the level of productivity. The increased Industrial production further enhances the national economies having an indirect impact by globalization. For example, the rise in artificial intelligence and E-commerce industry after the spread of internet globally has helped the number of countries to boost their GDP and foreign direct investment. China and India economic growth in the field of information technology provides insight of this technological advancement. Thus, one cannot deny the role of spread of

IT industry due to globalization in enhancing the economy

Besides the increase in production levels due to technology another important impact globalization is on non-traditional threats.

These threats include Climate Change, terrorism, Cyber threats, water scarcity etc. The increased cooperation due to globalization on such non-traditional security threats will ultimately help ~~the~~ in sustaining national economies.

For example, Paris Agreement 2015 was signed by all the countries to reduce the impact of climate change on national economies by reducing carbon emission. In 2022, floods in Pakistan resulted in \$30 billion of loss for the economy.

Thus, it indicates the severity of threats on national economies that can be countered by increased cooperation.

One of the most significant contribution to the economy is

remittances, which balances the current account of a country. The globalization results in enhancement and growth of the country's economy by the help of increase in remittances. By exporting labor to other countries, a country can reap out benefits of the remittances. For example, Pakistan's diaspora network contribute to 7% of GDP in the form of remittances. However, the migration of skilled labor can also result in negative consequences for the country. This provides an understanding that how globalization has boosted economies due to the increase in remittances.

Lastly, one of the imperative impact of globalization is in the time of crisis. The intricate internal and external factors often time lead the economies into crisis such as unsustainable debt, increasing poverty levels, inflation etc. Consequently, the financial institutions such as IMF and World Bank

play an important role when countries face such situation. For example, Greece debt crisis due to the unsustainable level of debt and inability to repay it ~~resulting~~ resulted in a looming threat of default. IMF bailout package of €116 billion overcome this threat. However, the critique of IMF argues that such institution result in social inequality between developed and under-developed countries. Nevertheless, one can say that the globalization has served national economies in times of crisis.

In conclusion, the role of globalization in boosting the economic sector of the countries is significant. The globalization result in interlink of countries which enhances the people to people exchange and growth in national economies. This growth is the outcome of trade connectivity among different countries. This connectivity in turn

enhances the investment inflow which leads to industrial growth. Besides, this, it also uplifts the financial situation of the people. The globalization also helps countries in bringing stability in the country which creates suitable environment for everyone to participate equally. The increased participation in the country's economic sectors provide number of facilities such as education and health. The countries which have integrated themselves globally have experienced much better growth while the countries that were not able to integrate fully have experienced less growth.

"Globalization is not just an economic process; it is also a political, cultural and environment phenomenon. It transforms national economies but also creates winners and losers"
- Joseph Stiglitz