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GLOBALIZATION

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Over the next 25 years, the world's GPD is expected to grow $70 trillion. $50 trillion is expected to come from emerging markets like China, India and Latin America.

WHAT IS GLOBALIZATION?

Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology.

This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

http://www.globalization101.org/What_is_Globalization.html

PROS OF GLOBALIZATION

- Larger market for companies to trade their products and a wider range of options for people to choose from among the products of different nations
- Developing countries benefit from a sound flow of money and thus, a decrease in the currency difference.
- Increase in the production sector
- Competition keeps prices relatively low, and as a result, inflation is less likely to occur
- Government considerations for global needs
- Communication among the countries is on the rise, which allows for better understanding and broader vision which decreases the chance of war

CONS OF GLOBALIZATION

- Certain jobs are lost to countries with lower labor costs
- Quality of products may be compromised when manufacturing is transferred to foreign country
- There are experts who believe that globalization is the cause for the invasion of communicable diseases and social degeneration in countries.
- Increase in power of global corporations
- It is often argued that poor countries are exploited by the richer countries where the work force is taken advantage of and low wages are implemented

COMPONENTS OF GLOBALIZATION

Environment
Development
Trade
Media
Women
Technology
Migration
Investment

Culture
Human Rights
Energy
Health
IMF+World Bank
Education
International Law

WHY DO NATIONS EXPORT?

Developing Countries:

- produce vast quantities of agricultural products which they can not consume
- produce quantities of industrially valuable minerals, that their own economies are too small or insufficiently industrialized to use
- exports also serve the purpose of earning foreign currency with which they can buy essential imports

Industrial Countries:

- are more diverse export a much wider variety of products than do developing countries
- export a larger proportion of their total production of goods and services
- Export sales help maintain high employment levels in the work forces

WHY DO NATIONS IMPORT?

- Goods or services that are either essential to economic well-being or that consumers desire are not naturally available or cannot be produced at home; and,
- Goods or services that satisfy domestic needs or wants can be produced more inexpensively or efficiently by other countries, and therefore sold at lower prices.
- goods and services that home country companies, farms, and individuals can produce, but which foreigners can produce more cheaply; and
- goods and services that can be produced more cheaply at home, but which home country companies, farms, and individuals have chosen not to produce in favor of producing more sophisticated and expensive goods and services.

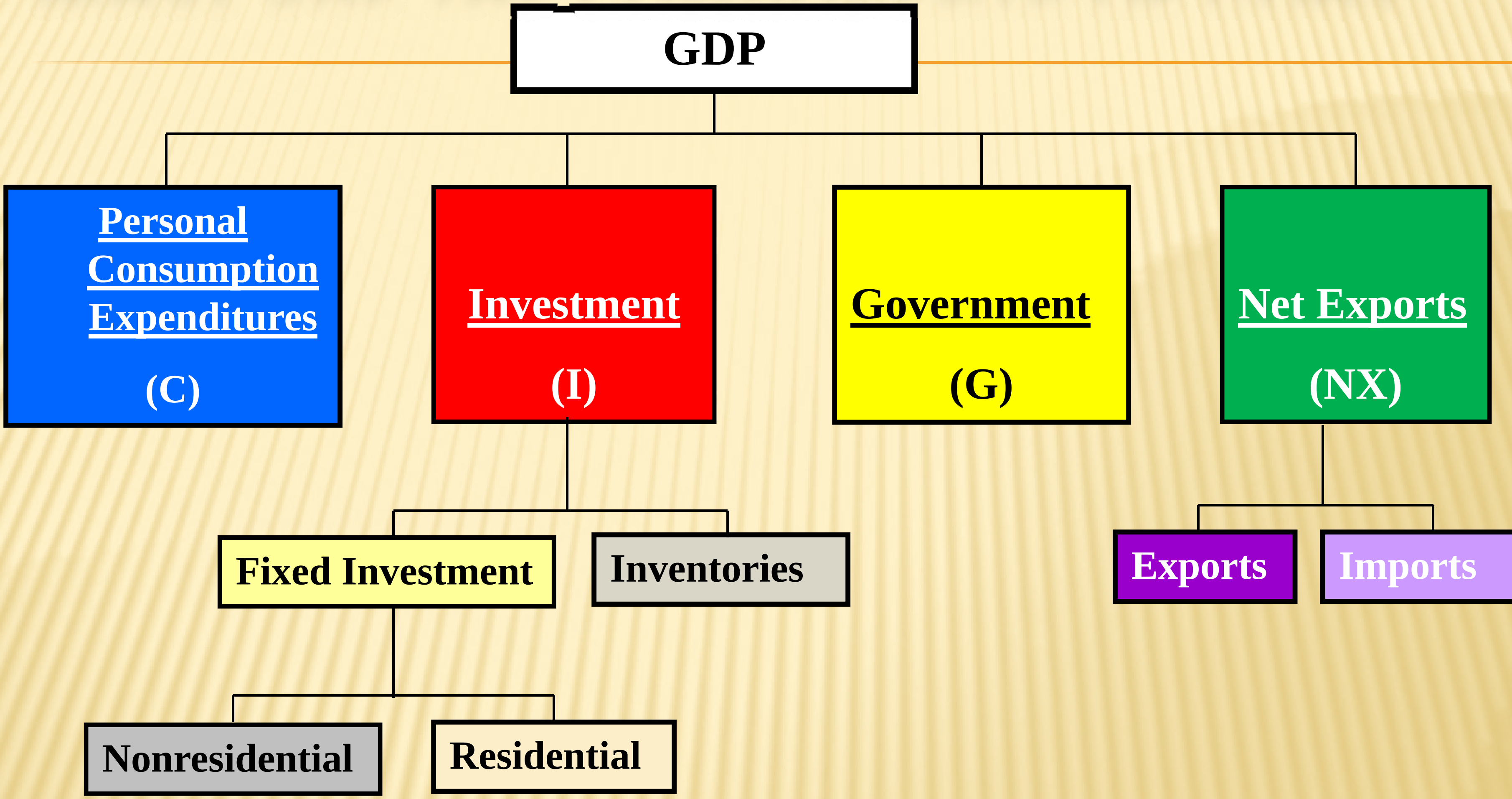
TRADE SPECIALIZATION
(COMPARATIVE ADVANTAGE)

- Countries have a mutual interest in specializing in the production of those goods and services that their particular combination of labor, capital, and land will allow them to provide most efficiently and cheaply.
- It applies even in cases in which a particular country has an efficiency or cost advantage over other countries in all the products they are both able to manufacture.

TRADE BALANCE

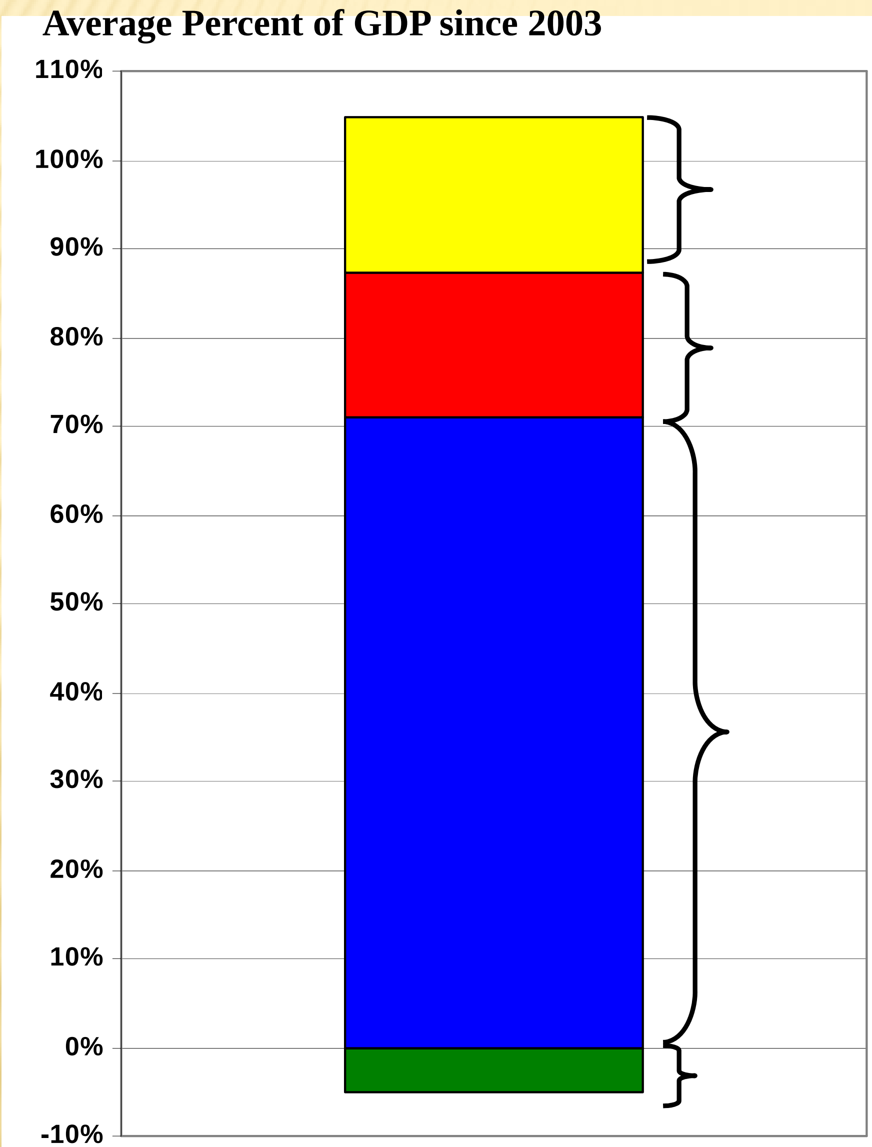
- The trade balance for any country is the difference between the total values of its exports and imports of goods and services in a given year.
- When a country's total annual exports exceed its total annual imports, it is said to have a trade surplus.
- When imports exceed exports, a country has a trade deficit.

WHAT ARE THE COMPONENTS OF GDP?



$$GDP = C + I + G + NX$$

HOW MUCH OF GDP IS EACH COMPONENT?



Component	% of GDP
Government	19%
Investment	16%
Consumption (PCE)	70 %
Net Exports	-5%
GDP	**100%**

Source: Bureau of Economic Analysis

MIGRATION

- Migrations has not been embraced by countries
- Additional barriers are being added
- Immigration policies have been tightened

EFFECTS ON ECONOMY

- Sending countries may experience both gains and losses in the short term but may stand to gain over the longer term.
- For receiving countries temporary programs help to address skills shortages but may decrease domestic wages and add to public welfare burden.
- For developed countries, the positive gains from immigration are a result of the infusion of cheap and eager labor into the economy.
- Immigrants have caused a five percent reduction in wages for the poorest ten percent of the American workforce
- Impoverished immigrant households use social services at twice the rate of native-born Americans

CULTURE AND IMMIGRATION

- European countries, the nation is often defined in a cultural way—by a common language, heritage, and ethnicity.
- United States, Argentina, and Brazil have always included a large immigrant population. Citizenship in those countries is based not on ethnic grounds but on a different sort of national identity in which commitment to certain values and ideas is paramount.
- Countries without long traditions of immigration have some questions that need to be answered:
  1. How long does an immigrant have to live in the country to become a German?
  2. Do they need to learn the language?
  3. Should immigrants be forced to take citizenship classes ?

RESOURCES

- http://www.globalization101.org/What_is_Globalization.html
- http://lifestyle.iloveindia.com/lounge/pros-and-cons-of-globalization-3507.html
- http://web.missouri.edu/~ikerdj/papers/Globalization.html

QUESTIONS?