# Impacts of Economic Globalization on Emerging Economies: A Descriptive Study

**Dr. Raj Kumar Singh**
Assistant Professor, Department of Political Science, Kalicharan PG College, Lucknow, India
rks14373@gmail.com

**Abstract**

Economic globalisation is the major goal of this article, and the study question may be summed up as how economic globalisation affects developing nations' economy. The article's main goal is to organise and describe knowledge and information about the concept of globalisation, economic globalisation, and the world's current emerging economies in order to present a cogent overview on topics like the transition from developing to emerging economies, the primary forces driving economic globalisation in these economies, and the difficulties these economies face in a newly globalised economic system. Comparative analysis and systematisation of scientific literature were used to conduct theoretical examinations of the effects of economic globalisation on emerging economies.

**Keywords**: Globalization, Financial Integration, Economy, Industrialization, Emerging Economies

## Introduction

The term "globalisation" has emerged as one of the most hotly debated issues of our time as a result of the massive trade liberalisation and financial integration that have been accompanied by increasing political, sociocultural, and military interdependence as well as the excessive technological advancements. Even though the word "globalisation" is being employed to describe a single phenomena, it is actually a catch-all term to represent a variety of factors (Ardç, 2009; Archibugi and Iammarino, 2002). This activity has an effect on the health and well-being of people in communities across the world as well as the ecology, society, systems of government, and economic wealth and jobs (Kefela, 2011). As a result, there is no agreed-upon definition of globalisation. “In fact, it is observed that the definition of globalization depends on the aim and the scope of the debate. Accordingly, the effects of globalization have been argued from a wide spectrum as well. Just to mention a few, for example, some authors concentrate on economic factors (Rao and Vadlamannati 2011), while some others address political issues (Chang and Berdiev, 2011) or raise social notions (Dreher and Gaston, 2007). Further, there are still many others who investigate many other various aspects such as human development (De and Pal, 2011), human welfare (Tsai, 2007) and life satisfaction (Bjornskov, Dreher and Fischer, 2008), entrepreneurial activity (Vinig and Kluijver, 2007), willingness to help immigrants as well as sick and disabled (Koster, 2007), environmental standards (Gassebner, Gaston and Lamla, 2008), water pollution (Lamla, 2009) and military interstate disputes (Choi, 2010), etc”. Therefore, it is evident that there is a wealth of publications on nearly every aspect of globalisation at the macro level, including the dimensions of globalisation and their effects on nations including the national economy, politics, social and cultural aspects, etc. However, it is shocking that the micro level of the topic area would seem to be largely disregarded.

Only a few research findings have looked at the effects of globalisation on corporate governance, regardless of the fact that the term "globalisation" has been around for a while and continues to affect organisations in many ways. Acheampong et al. (2000) investigated as to if pace of globalisation equalizes growth of profit margin adaptation of international corporations in the liquor and cigarettes sector and the nutrition and household products sector. Their results indicate that there is no substantial contrary effect in the liquor and cigarette sector while there are differences in the speeds of profitability adjustment all over nations in the bakery and confectionery products sector. Peltonen et al. (2008) examined the effects of trade costs on corporate value in 15 manufacturing sectors across 10 countries in the euro area between 1955 and 2004. Contrary to Peltonen et al. (2008)'s conclusions, Georgiou (2011) reported a significant positive impact of globalisation on profitability of the company for Europe. However, it is clear that the corpus of information concerning how globalisation affects company performance and value is insufficient, and further study is urgently required.

**Understanding the Concerns of Globalization**

The term "globalisation" remains to signify very different things to various individuals despite the fact that it has been defined by hundreds of writers and eminent speakers on the subject. Due to this, we will not seek to provide generic explanations but will instead define it in the context of this study. Even though free markets have been liberalising their trade since World War II through initiatives like the Europe 1992 motion, the Uruguay Round of GATT (1993), and the North American Free Trade Agreement NAFTA (1994), the end of the Cold War represented a significant advance for globalization (Yardeni, E. (1997).

Typically, when the term "globalisation" is used here, what is intended is “economic globalization”. Economic globalisation is taking place in part because of advancements in technology and falling fuel costs, as well as in part because many nation states have made a conscious decision to deepen their connection with the global economy. Therefore, we may view economic globalisation as an overall effect of many nations' decisions to further their involvement with the global economy.

After proving that national integration into the global economy is essentially what causes globalisation, we must think about how particular nations enter the global economy. There are several factors we may take into account when determining how a nation gets connected with the world economy. Both an expanding and a deepening aspect of economic integration exist. The growth of many features, functional sectors, and market aspects that are engaged in enhancing interaction is referred to as the deepening dimension. Freer trade in activities and commodities, higher flows of longer-term capital, increased flows of short-term financial capital, greater streams of human resources manifested in labour, interconnected activities of multinationals, and increasing streams of ideas and technical assistance are these elements (Hoberg, 2000; Weintraub, 1994).

Another perspective holds that financial development results from economic progress (Robinson, 1952; Lucas, 1988; Stern, 1989). Since demand for financial services is strongly correlated with economic growth, financial development rises as demand for financial services rises. According to this viewpoint, capital accumulation accompanies economic expansion.

**Existence of Globalization**

According to a generally held belief, the advent of massive firms with subsidiaries in several nations has significantly altered the way that financial, social, and technical interactions are conducted in the globe today. These businesses control the manufacturing of technology, smartphones, oil and gasoline, food, cigarettes, pharmaceuticals, and ammunitions. Many of these businesses have yearly expenditures that exceed those of tiny nations. Due to their influence in many nations' economic and political life inside the large firms, the process of making products and services has also gone worldwide. For instance, when formerly auto factories produced automobiles from beginning to end at a single location, today various component parts are created in various locations around the globe and assembled in yet another. Due to this, there is now what is known as the "new international division of labour" (IDL). Industry, production, employment and skills, and technology are the components of the IDL in Giddens' model, and they continually interact with the other aspects of globalisation, including the national state system, the world capitalist economy, and the massive military order (Giddens, 1990). The preceding analysis gives a good understanding of the topic of this study because the IDL is both a condition and a process.

As a result, labor-intensive industries like the manufacture of shoes and apparel frequently take action in nations with low wages and unfavourable working environments. There are several instances of women and youngsters working in the Far East in circumstances that'd be illegal in Western Europe and the United States. Large value manufacturing plants, like those used in the electronics sector, are carried out in nations with highly trained workforce that is well-paid, such as in Japan and Western Europe. The component of the intricate process of globalisation that is having the most impact on the job sector is the international division of labour. There is no denying that reliance in the labour market is a growing phenomena brought on by globalisation, according to Campbell et al. As business and money movements are progressively facilitated by lowering obstacles, labour is evolving from a local to a global resource.

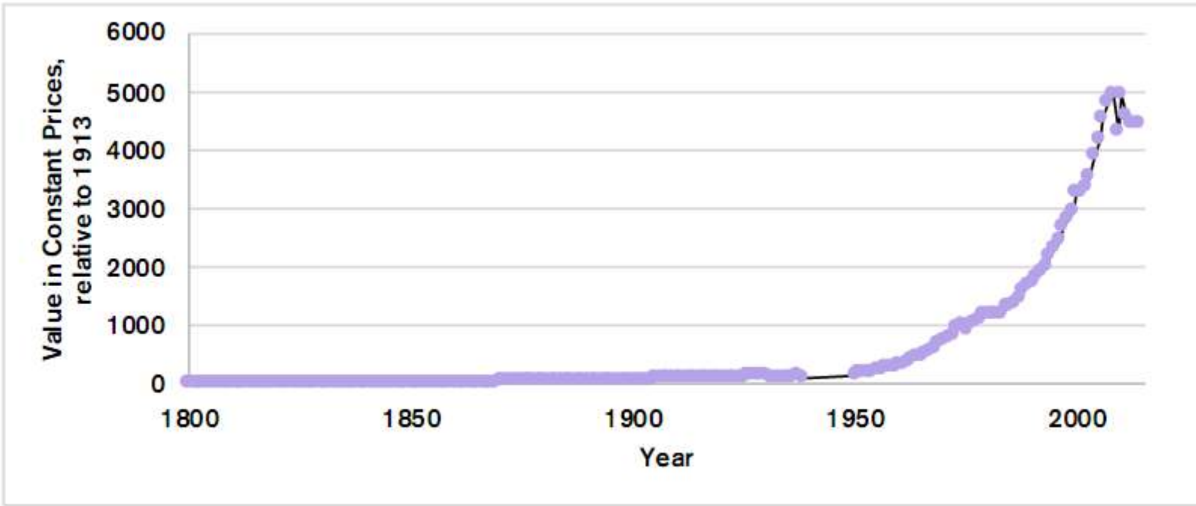
Nation states are no more able to develop policy and rule their nations in isolation from the rest of the globe, much as local economies are affected and frequently controlled by large businesses. International organisations that have an impact on the decisions of the nation states include the United Nations, the Commonwealth, the European Union, the International Labor Organization, the World Bank, and the International Monetary Fund.

**Globalization in Asia**

The authority of the state are frequently seen as being threatened by globalisation. The Asian financial crisis shows how difficult it is for governments to protect their citizens from the strains of the global economy. Nevertheless, despite the development of globalisation, the state continues to be the dominant player in Asia, and this primacy is unlikely to alter much. All the countries in Asia are working to modernise themselves in order to become a stronger nation as a result of the recent rapid advancements in technology and communication. They are trying to economically survive, thus they are taking the same course as the more powerful, industrialised Western world did years ago. Asian nations are modernising and becoming more like western nations as a result of the pattern that many of them have adopted, which causes the Asian character to wane. Asian nations have been instrumental in pushing for globalisation in the area. Prior to the financial crisis, regional governments, like Singapore, saw globalisation as a means of boosting national strength. Singapore's willingness to participate in the global economy helped it to establish itself as Southeast Asia's financial hub and strengthened its strategic position within the region. To break out of their respective countries' isolation and boost the positions of those in power, China and Vietnam have implemented significant economic changes (Christopher B. Johnstone 1999).

**Analysis of the Concept of the Economic Globalization**

Despite the fact that the term "economic globalisation" is frequently used, many authors prefer a different term. Economic globalisation, according to Podbnik and others (2008), is a dynamic and multifaceted process of economic integration in which national resources become more and more mobile worldwide and national economies become more interconnected. According to Douglas, economic globalisation refers to the increased interconnectedness of economic activity through international commerce, money flows, and migration (2003). According to Osterhammel and Petersson (2008), economic globalisation refers to the lowering and eradicating of obstacles at national boundaries in order to enable the free movement of products, capital, services, and labour.




Source: Federico, G. and Tena-Junguito, A., 2016, A Tale of Two Globalizations: Gains from Trade and Openness 1800-2010. Centre for Economic Policy Research Working Paper 11128

**Figure 1: Global Trade index between 1800 and 2014**

According to Bhagwati and Jagdish, authors of the outline, "Globalization is frequently used to refer to economic globalisation, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology" (2004). World trade, overseas investment, the operations of transnational companies, and the management and community expansion of technology, per the Podobnik (2008), are the key drivers of economic globalization (Maksvytienė, Urbonas, 2003).

Globalization is characterised by four primary financial streams: products and activities, labour and individuals, money, and innovation. Swiss Federal Institute of Technology in Zurich annually compiles one of the most reliable economic globalisation indexes (KOF). The three primary facets of internationalisation, social, and political—are measured by the KOF-index of globalisation. An overall index of globalisation is computed together with sub-indices pertaining to real economic flows, economic constraints, and data on human contact, data on information flows, and data on cultural closeness. These three indices measure these aspects. According to Dreher, Gaston, and Martens, the information is accessible annually for 122 different nations (2008).

**Economic globalization as a driver for the creation of emerging economies**

The failure of state-led economic development and the requirement for capital investment, according to many academics, are the two primary elements in the birth and growth of emerging economies. First, traditional developing nations were unable to achieve sustained growth through government-managed economic growth. It had a highly detrimental effect, but this phase served as a launching pad for states to embrace unlocked door policy and shift from running the economy to letting the public to do so with the state's simple involvement.

Second, in order to finance their economic development, rising economies urgently required cash in the form of foreign direct investment. Regrettably, conventional public debt fell short of accelerating growth. Authorities of developing nations used to often take a loan from commercial banks, other governments abroad, and multilateral lenders like the IMF and the World Bank. In many cases, this led to economic instability and high debt levels. The previous performance of many developing nations also illustrates their failure to successfully address and use the loaned money to boost the economy, according to reports Hurst (2007).

Developing nations come to depend on investment portfolio as a way of funding economy expansion as a consequence of the dismal outcomes of public debt. They want to entice private equity investment from investors who will work with them as co-developers. A poor country must build the prerequisites of a market system and foster an environment for enterprise that fits the demands of international investors governments in trying to entice equity funding. Hurst (2007) Thus, this alteration in funding sources contributed to the growth of developing markets. Additionally, every rising economy has had to adapt new trade techniques and structure due to the development of technologies.

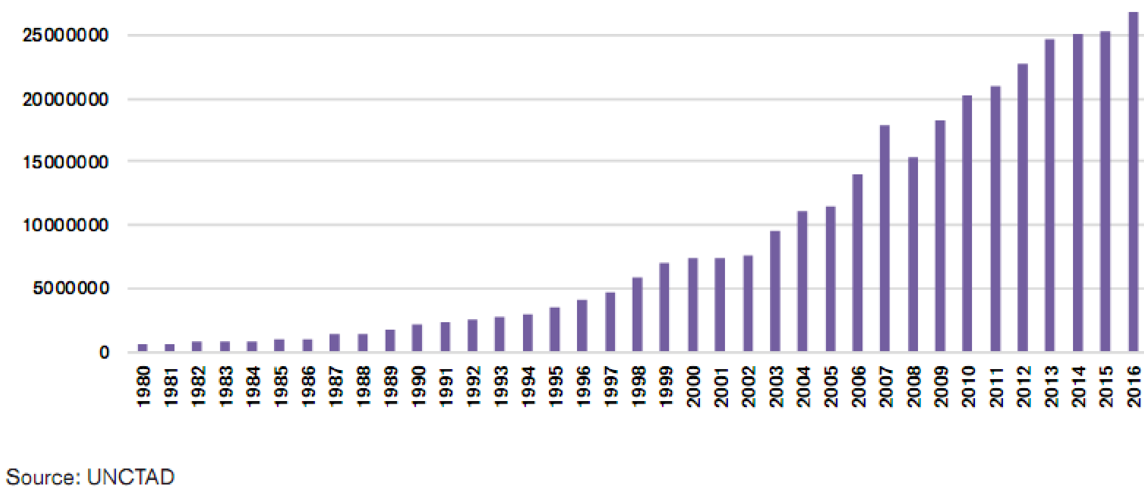



**Figure 2: Global Foreign Direct Investments**

## Effects of Economic Globalization on Emerging Economies

The workforce in developing nations has been the only one to be impacted by economic globalization. First, there is the quick creation of new workplaces. As previously said, growing economies not only encourage growth in their neighbouring nations but also draw people to work there. As a result, the worker demographics of developing economies are marked by a wide range of demographic characteristics, including age, gender, ethnicity, and racial origin. In fact, one of the key problems facing firms in emerging nations today is diversity management Kiely (1998), Sutcliffe (2001).

As a direct outcome of economic globalisation, other developments like offshore and outsourcing—both of which are considered as having the highest growth potential over the next ten years—have produced workplaces where cultural diversity may pose serious challenges. If a German firm opens a headquarters in

Brazil or Mexico, where being 10 to 15 minutes late for an appointment is normal, it will run into difficulties since being on time is known as "British Time."

As one of the effects of economic globalisation, "export poverty" has drawn a lot of criticism. According to Todaro (2000), people in developing nations are used as cheap labour and the only beneficiaries of the benefits are the rise of commercial companies and corporate profits. However, those were the first instances of economic globalisation in formerly underdeveloped nations, many of which are now growing economies. In long-term, wages progressively rise.

**Challenges of Globalized Economic System: Developing Markets changing to Emerging Markets**

As a result of economic (and other types of) globalisation, many developing nations from the past are now emerging economies, which has a significant effect on economic growth. Conventional theories about a growing industry are no longer applicable. Assistance for a developing nation is being replaced by investment in emerging economies. Additionally, developing markets were also important trading partners and are rationalising their capital investments in developed nations.

According to experts Bernatonyt and Normantien (2007), a growing portion of intra-industry trade in the volume of global commerce is crucial to the evolution of the economies and the export and import structures of various nations. As a result, the nature of international commerce and the makeup of its commodities are changing. Trade and capital movements are impacted by the current process of globalisation, but they are not influenced by political views or choices. The growth of two-way trade and money flows between industrialised nations and emerging economies reflects the shift from dependence to interdependence on a global scale. Emerging markets are being integrated into the global market at a quicker rate because of the increased information interchange, particularly with the help of the Internet.

A market-driven system necessitates that developing markets reinterpret and scale back the role of the government in economic growth. The primary issue in developing countries is still-present (and occasionally expanding) corruption, which has a negative impact on the business climate and the development and growth processes by acting as a major barrier to foreign investment (Snieka, 2008). However, undertaking massive reforms within their banking markets, judicial framework, and political system to ensure a regulated and balanced economy that is mostly free of political upheavals and meddling presents the biggest challenge for rising economies (Easterly, 2001). The level of risk for businesses engaging in economic activity is increased as a result of globalisation and the integration of transitional economies into the global market, but there are also numerous approaches to reduce risk at the state and firm levels, as shown by Startien and Remeikien (2008).

## Conclusion

The word "globalisation" is frequently utilised in many literary works. In essence, it is a complex fusion of societal, political, technical, economic, and other elements. Many writers use the term "economic globalisation," which may be described as a continuous and multifaceted trade system in which country's assets grow increasingly movable globally and national economies grow more and more interconnected. Economic globalisation is the increased interconnection of economic activity across national borders through international commerce, money flows, migration, and other ways. The primary driver of the formation and growth of emerging economies is economic globalisation. There are many estimates, but it is evident that China, India, Indonesia, Brazil, and Russia are the most notable rising economies nowadays.

A relative assessment of the literature revealed the following as the primary forces behind economic globalisation in developing countries: the opening of markets to trade and investment, the deregulation of financial services, the liberalisation of capital flows, the expansion of international competition, and the crucial role of information and communication technologies (ICT) in the economy.

The work force in developing nations has been the only one to be impacted by economic globalisation. The stream of capital first goes to areas to take advantage of the cheap labour supply, but over time, as wages progressively rise, this influence turns out to be favourable. It is clear that the inability of state-led economic development and the requirement for capital investment are the two key variables influencing the birth and growth of emerging economies. A developing economy becomes an emerging economy primarily as a result of the economic globalisation process. Emerging economies continue to encounter significant obstacles while they are developing, such as: political meddling, rising competitiveness, and corruption.

## References


- Acheampong, Yvonne J., Epperson, James E., Park, Timothy A. and Lewell F. Gunter (2000) “Globalization and Profitability Adjustment Patterns in International Food and Consumer Products Industries” University of Georgia Department of Agricultural and Applied Economics Faculty Series 00-16.

- Archibugi, Daniele and Simona Iammarino (2002) “The Globalization of Technological Innovation: Definition and Evidence” Review of International Political Economy Vol. 9, No.1, pp. 98-122.

- Ardıç, Nurullah (2009) “Friend or Foe? Globalization and Turkey at the Turn of the 21st Century” Journal of Economic and Social Research, Vol. 11, No. 1, pp. 17-42

- Bernatonytė, D., Normantienė, A. (2007) ‘Estimation of Importance of Intraindustry‘, Inzinerine Ekonomika-Engineering Economics(3), pp. 25-34.

- Bjornskov, Christian, Dreher, Axel and Justina A. V. Fischer (2008) "Cross-Country Determinants of Life Satisfaction: Exploring Different Determinants across Groups in Society" Social Choice and Welfare, Vol. 30, No. 1, pp. 119-173.

- Chang, Chun-Ping and Aziz N. Berdiev (2011) "The Political Economy of Energy Regulation in OECD Countries" Energy Economics, Vol. 33, No. 5, pp. 816-825.

- Choi, Seung-Whan (2010) "Beyond Kantian Liberalism: Peace through Globalization" Conflict Management and Peace Science, Vol. 27, No. 3, pp. 272-295.

- Christopher B. Johnstone, 1999 - Research Fellow at the Asia-Pacific Center www.apcss.org.

- De, Utpal Kumar and Manoranjan Pal (2011) "Dimensions of Globalization and Their Effects on Economic Growth and Human Development Index" Asian Economic and Financial Review, Vol. 1, No. 1, pp. 1-13.

- Douglas M. (2003) "Globalization and Media Democracy: The Case of Indymedia", Shaping the Network Society, MIT Press, 15.

- Dreher A., Gaston N., Martens P., (2007) Measuring Globalisation: Gauging Its Consequences, Springer, 45-49.

- Dreher, Axel and Noel Gaston (2007) "Has Globalization Really Had No Effect on Unions?" Kyklos, Vol. 60, No. 2, pp. 165-186.

- Easterly, W. R. (2001). The elusive quest for growth: economists' adventures and misadventures in the tropics. Cambridge, Mass., MIT Press.

- Gassebner, Martin, Gaston, Noel and Michael Lamla (2008) "Relief for the Environment? The Importance of an Increasingly Unimportant Industrial Sector" Economic Inquiry, Vol. 46, No. 2, pp. 160-178.

- Georgiou, Miltiades N. (2011) "Globalization and ROE: A Panel Data Empirical Analysis For Europe (1999 – 2009)" SSRN working papers number 1955200.

- Giddens, A. (1990) The Consequences of Modernity. Stanford: Stanford University Press.

- Hoberg, G. (2000), "Canada and North America Integration", Canadian Public Policy/Analyse de Politiques 26 Supplement (August), S35-S50.

- Hurst E.Ch. (2007)Social Inequality: Forms, Causes, and consequences, 6th ed.,91.

- Kefela, Ghirmai T. (2011) "Driving Forces of Globalization in Emerging Market Economies Developing Countries" Asian Economic and Financial Review, Vol. 1, No. 2, pp. 83-94.
- Kiely, R. (1998) Industrialization and development: a comparative analysis. London, Bristol, Pa., UCL Press.
- Koster, Ferry (2007) "Globalization, Social Structure, and the Willingness to Help Others: A Multilevel Analysis Across 26 Countries" European Sociological Review, Vol. 23, No. 4, pp. 537-551.
- Lamla, Michael (2009) "Long-run Determinants of Pollution: A Robustness Analysis" Ecological Economics, Vol. 69, No. 1, pp. 135-144.
- Lucas, R.E., 1988. On the mechanics of economic development. Journal of Monetary Economics 22, 3–42
- Maksvytienė, I., Urbonas, J. Forming (2003) 'Features and Stages of International Economic Competitiveness', Inzinerine Ekonomika-Engineering Economics(4).
- Osterhammel J. & Petersson (2005) N. P. Globalization: a short history. Upper Saddle River: Prentice Hall.
- Peltonen, Tuomas A., Skala, Martin, Rivera, Alvaro Santos and Gabor Pula (2008) "Imports and Pofitability in The Euro Area Manufacturing Sector The Role of Emerging Market Economies" ECB Working Paper No 918 / July
- Podobnik, B. (2008) Resistance to Globalization: Cycles and Evolutions in the Globalization Protest Movement, 2.
- Rao, B. Bhaskara, Tamazian, Artur and Krishna Chaitanya Vadlamannati (2011) "Growth Effects of a Comprehensive Measure of Globalization with Country Specific Time Series Data" Applied Economics, Vol. 43, No. 5, pp. 551-568.
- Robinson, J., 1952. The Generalization of the General Theory, in the Rate of Interest and other Essays. Macmillan, London, pp. 69–142
- Snieska, V. (2008). 'A new textbook on international trade', Inzinerine Ekonomika-Engineering Economics(1), pp. 120-121.
- Snieška, V., Drakšaitė, A. (2007). 'The Role of Knowledge Process Outsourcing in Creating National Competitiveness in Global Economy',Inzinerine Ekonomika-Engineering Economics(3), pp. 35-41.

- Startiene, G. and R. Remeikiene (2008). 'Gender Gap in Entrepreneurship', Inzinerine Ekonomika-Engineering Economics(5), pp. 95-103.
- Stern, N., 1989. The economics of development: a survey. Economic Journal 100, 597–685.
- Sutcliffe, R. B. (2001). 100 ways of seeing an unequal world, London; New York:, Zed Books.
- Todaro, M. (2000) Economic Development, Addison Wesley Longman.
- Tsai, Ming-Chang (2007) "Does Globalization Affect Human Well-Being?" Social Indicators Research, Vol. 81, No. 1, pp. 103-126.
- Vinig, G. T. and Kluijver J. (2007) "Does Globalization Impact Entrepreneurship? Comparative Study of Country Level Indicators" University of Amsterdam, PrimaVera working paper number 2007-16.
- Weintraub, S. (1994), NAFTA: What Comes Next (Washington, DC: Center for Strategic and International Studies)
- Yardeni, Edward (1997).- "The Economic Consequences of Peace". Deutsche Morgan Grenfell Topical Study #35. May. New York, U.S.A