Does globalisation have positive or negative effects on development?

Globalisation is making the world almost fully connected and integrated. The present wave of globalization, starting around 1980, has been spurred by technological advance in transport and communications technologies and by the decision of large developing countries to open up to foreign trade and investment. The omologation and integration of the national markets in a world-wide market have brought huge economical, social and cultural changes. While some countries are experiencing an impressive growth, BRICS above all, on others the effects of Globalisation are much more ambiguous.
What should then be the European position in the international debate on Globalisation?

The two positions under debate reflect these two perspectives on the theme:
Position A supports the thesis that Globalisation has mainly positive effects, and that the EU should support a further integration of markets and deregulation of trades.
Position B instead supports the thesis that Globalisation is enlarging the divide between rich and poor states, and therefore the EU should ask for a reform of the international trade regulation framework.

Position A: Globalisation has mainly positive effects

Trade integration has been more rapid than ever. Arvind Subramanian and Martin Kessler(2013) call this phenomenon “hyperglobalisation”; it is dematerialized, with the growing importance of services trade; it involves everyone, and it is criss-crossing because similar goods and investment flows now go from South to North as well as the reverse. Hyperglobalisation has involved the proliferation of regional and preferential trade agreements and is at the point of mega-regionalism as the world's largest traders pursue such agreements with each other.
The argument in favour of globalization is that everyone benefits when countries specialize in the type of production at which they are relatively most efficient. it costs less to make certain products abroad than it does in the U.S., then it’s difficult to argue that U.S. consumers and U.S. companies should pay more for those products from U.S. producers. Instead, it makes sense to purchase those products more cheaply from abroad. Then we can devote our resources to producing and exporting those

goods where we have a relative advantage. The result is a twofold benefit that imply greater efficiency and lower costs for U.S. firms and consumers.

According to Subramanian's estimates, overall trade in goods and services has risen from about 19 percent of world GDP in the early 1990s to 33 percent now, bringing us to a level of integration that really is historically unprecedented. Globalization helped the economic growth by lowering the cost of doing business around the world.

Everybody can be said to have gained from globalization.

Globalization provides a strong potential for a major reduction in poverty in the developing world because it creates an environment conducive to faster economic growth and transmission of knowledge. Asia has been the major beneficiary of globalization where high growth rates and its labour-intensive pattern contributed to a spectacular reduction in poverty. China has emerged as a mega-trader. Its ratio of trade to GDP has quadrupled—from a mere 8.5 percent in 1978 to 36.5 percent in 1999 (IMF, 2002).

During the 1990s there were distinct improvements for Latin America and the Caribbean. GDP growth rose as high as 4 percent in 1997 and continued in this way afterwards. Most of the countries were able to raise their average annual growth rate in the 1990. Inflation has been tamed and substantial export growth and renewed net private capital inflows mean that the balance of payments is generally stronger region wide.

In the December edition of 2011 an article by the Economist, "The Hopeful Continent: Africa Rising," claims that the continent "has a real chance to follow in the footsteps of Asia." African countries also generally experienced a reduction in their incidence of poverty. The most successful were Ghana, which almost halved its poverty incidence, and Senegal, which appears on track to do the same. Malnutrition fell consistently in Ghana, Senegal and to a lesser extent Ethiopia.

In developed countries, there is a tremendous amount of anxiety over international outsourcing of services. Amiti and Wei (2004) present a body of evidence that suggest neither aspect of anxiety is well supported by the data. From their findings, most developed countries are not particularly more outsourcing-intensive (when adjusted for economic size) than many developing countries. In any case, many developed countries tend insource in those categories most often featured in the news media, for example, business services and computer and information services. In fact, the United States and the United Kingdom have run the largest and second largest insources in services trade in the world in recent years. Working in particular on the UK they found no evidence to support the notion that sectors with higher growth of service outsourcing would have a slower rate of job growth. These results suggest that service outsourcing not only would not induce a fall in aggregate employment, but also has the potential to make firms/sectors sufficiently more efficient, leading to enough job creation in the same sectors to offset the lost jobs due to outsourcing. To conclude, the risk of service outsourcing dramatically reducing job growth in the advanced economies has been greatly exaggerated.

In this scenario Europe has an important role. Karel De Gucht, the European Commissioner for Trade discusses in a speech (Berlin, 22 May 2014) the EU Trade Policy as a means to influence Globalization. In his idea European trade policy can play a key role in maximising the benefits of globalisation: It can boost economic growth both at home in Europe and in the developing world. Moreover, Europe's strong position in trade makes trade policy a tool in promoting European values in the realms of human rights and sustainable development.

First of all in next decades 90% of economic growth will be generated outside Europe. Robust external demand will be a more important source of growth . European bilateral free trade agreements if successful will eventually cover 2/3 of European world trade and raise European prosperity and growth. TTIP will add 0.5% to European annual economic output to what it otherwise would be, and therefore to grow faster.
Last but not least, the understand of a global system is fostering solidarity and mutual help. The Millennium Development Goals emphasize the role of developed countries in aiding developing countries, as outlined in Goal Eight. The Goal Eight sets objectives and targets for developed countries to achieve a "global partnership for development" by supporting fair trade, debt relief, increasing aid, access to affordable essential medicines and encouraging technology transfer. Thus developing nations ostensibly became partners with developed nations in the struggle to reduce world poverty.

Position B: Globalisation has mainly negative effects

The issue of globalization is that it has negative effects on the weakest people throughout societies, however it has large advantages and creates new possibilities for the wealthier classes. With this consideration in mind, it is evident why the world is globalizing at a faster and faster rate. The one who are powerful enough to make the decisions are gaining from it, the ones who are losing are not heard. In both developed and developing country, the loser of the globalization are the workers and the environment.

Before showing the effects on developed and developing country, it is noteworthy to discuss the institutions which catalyse globalization and which, according to Stiglitz, do not enable the potential benefits of globalization to be extracted. The World Bank and the International Monetary Fund (IMF) were created during the Bretton Woods Conference (after World War 2) with the aim of bringing prosperity to a very weak Europe. The incentive for the US and British administration to pursue such a policy were probably to not only help European countries, but also avoiding the emergence of strong communist societies across Europe. The World Trade Organization (WTO) was born in 1995, replacing the GATT, with the aim ensuring a free trade flow. This institutions are used by the more powerful states as a tool to increase the level of globalization by reducing tariffs, imposing policies to underdeveloped and developing countries and setting a standardized neoliberal economic model, disregarding the characteristics of the country. An important aspect to note is the failure of the IMF of helping countries in crisis, by pushing failing liberalization policies, leaving them with huge debts to repay and an apology letter explaining how their intervention was not useful. (Russian and Greek case in particular). Regarding the WTO, it must be stressed how the outcome of the latest and current round of negotiations (the Doha Development Round started in 2001) is still uncertain as developed countries want to retain protectionism on agricultural goods (The EU's Common Agricultural Policy is the prime example of such a policy).

In developed countries liberalization policies and globalization enable the elite and large industries to exploit the workers, the environment and the endowment of poorer countries. Firms are able to move production to developing countries, exploiting the cheaper labour and reducing the production costs thanks to the lower standards of regulations. Indeed, the news often reports on violation of human rights by large industries which produce in developing countries, even when their products were promoted as “fair trade” (Nike and Apple are just some of the many cases). Furthermore, according to Piketty, nearly 20% of African capital is owned by foreigners, showing that most of the wealth and growth created from globalization in developing countries, is actually brought back to the elites of the developed countries. The effects on the first world countries are various. The more disputed is probably the loss of job from the low-skilled workers. Economists label this as short term unemployment, as they claim that the unemployment created from industries leaving the country, is counteracted from the increase in jobs coming from other sectors. However, this relies on the assumption that workers can move easily from industry to industry, which is completely false, especially as the sectors which increase in developed countries are the ones requiring high education and training. The effect of the exploitation from the elite is that they become richer and richer, even at a faster rate than the GDP growth (Piketty, 2013), creating an always larger income inequality within the developed country.

The effects of globalization on workers in developed country is already disastrous, yet for developing countries, the effects are even worse. Firstly, the IMF’s intervention in countries to enforce the opening of the market and push neoliberal policies comes with huge costs and the burden is usually on the receiving country. This implies that the country is not only forced to change the structure of its economy given a standardized set of regulations and directives, but it also has to pay interest for it. This can lead to budget deficit problems, especially when the policies implemented worsened the actual situation. Just by looking at the media in the past 2 years, it is possible to see this phenomenon happening in Greece. Secondly, as more and more poor countries are open to globalization, a competition to receive as many FDI and MNC is created among them. This competition takes the form of a race to the bottom, where governments are incentivized to reduce regulation standards to please the large international players. This leads to lower worker condition and deterioration of human rights and lower regulations on the environment and natural habitat (deforestation in the Amazon rainforest to create space for more industries or over-cultivating palms in Malaysia to earn revenues from the huge international market of palm oil). In this case again, the one who are hurt from globalization are the weakest people within the society. The higher and middle-class in developing countries manage to gain something from globalization, in form of investments to their industries, larger market for their product, possibility of specialization or even just seeing the country grow and the living standards ameliorating at a similar pace as their own wealth. However, this growth is not evenly distributed. The lower class is suffering from harsher working conditions and salaries, which increase at a smaller pace than the increase in GDP.

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