

The background features several abstract, organic shapes in shades of purple and blue. A large, irregular shape is on the right side, and a smaller circle is positioned above the main title. The overall aesthetic is modern and digital.

Globalization 101

Understand the benefits and challenges of our increasingly interconnected world.

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What is globalization?

Globalization is the process by which ideas, knowledge, information, goods and services spread around the world. In business, the term is used in an economic context to describe integrated economies marked by free trade, the free flow of capital among countries and easy access to foreign resources, including labor markets, to maximize returns and benefit for the common good.

The more countries and regions of the world become intertwined politically, culturally and economically, the more globalized the world becomes.

History of globalization

- **The Roman Empire.** Going back to 600 B.C., the Roman Empire spread its economic and governing systems through significant portions of the ancient world for centuries.
- **Silk Road trade.** These trade routes, which date from 130 B.C. to 1453 A.D., represented another wave of globalization. They brought merchants, goods and travelers from China through Central Asia and the Middle East to Europe.
- **Pre-World War I.** European countries made significant investments overseas in the decades before World War I. The period from 1870 to 1914 is called the golden age of globalization.
- **Post-World War II.** The United States led the effort to create a global economic system with a set of broadly accepted international rules. Multinational institutions were established such as the United Nations (UN), International Monetary Fund, World Bank and World Trade Organization to promote international cooperation and free trade.

The term globalization as it is used today came to prominence in the 1980s, reflecting several technological advancements that increased international interactions. IBM's introduction of the personal computer in 1981 and the subsequent evolution of the modern internet are two examples of technology that helped drive international communication, commerce and globalization.

Globalization has ebbed and flowed throughout history, with periods of expansion and retrenchment. The 21st century has witnessed both. Global stock markets plummeted after the Sept. 11, 2001, terrorist attacks in the United States, but rebounded in subsequent years.

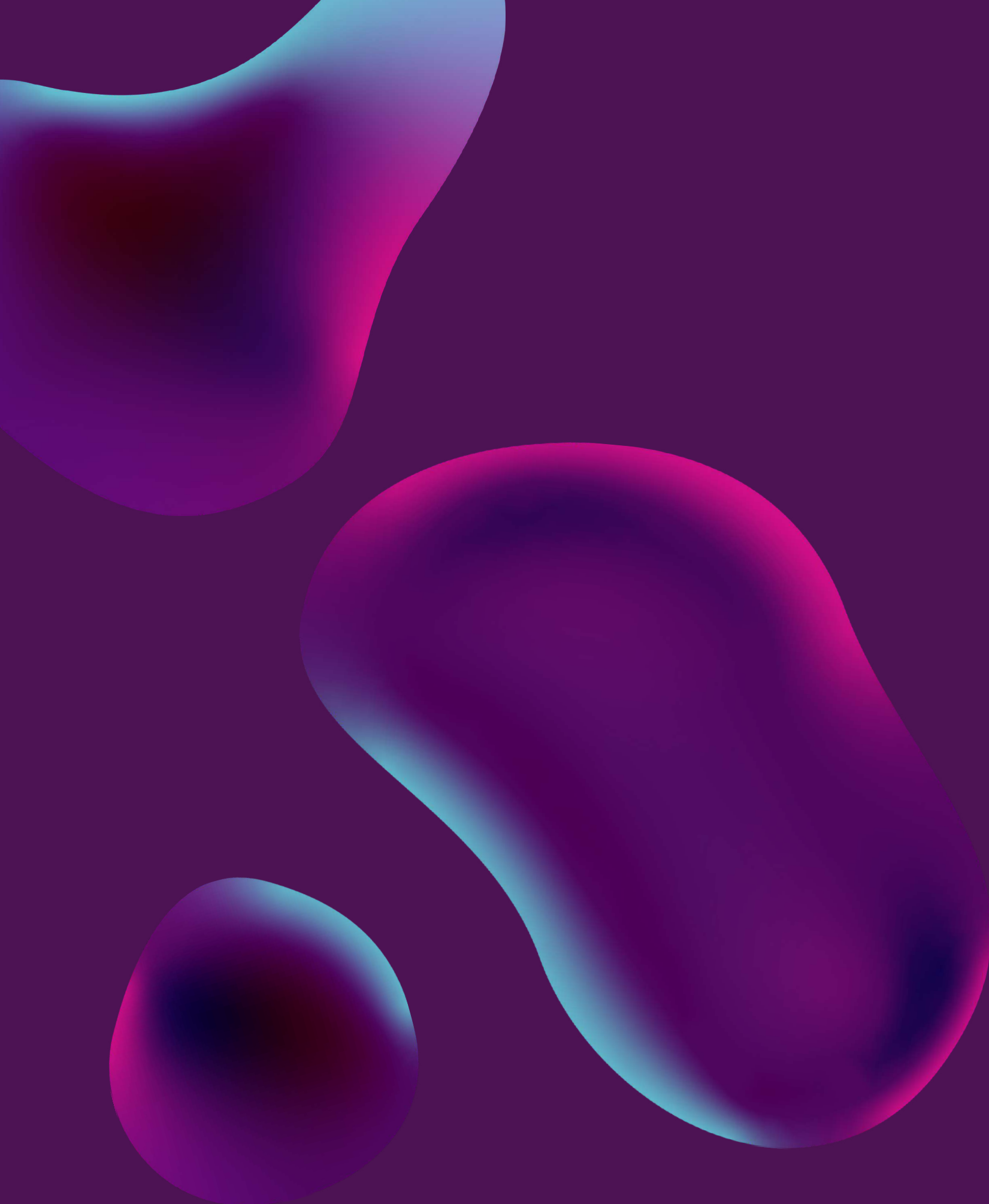
More recently, nationalist political movements have slowed immigration, closed borders and increased trade protectionism. The pandemic has had similar effects on borders and immigration and also disrupted supply chains.





How globalization works?

In a globalized economy, countries specialize in the products and services they have a competitive advantage in. This generally means what they can produce and provide most efficiently, with the least amount of resources, at a lower cost than competing nations. If all countries are specializing in what they do best, production should be more efficient worldwide, prices should be lower, economic growth widespread and all countries should benefit -- in theory.



Policies that promote free trade, open borders and international cooperation all drive economic globalization. They enable businesses to access lower priced raw materials and parts, take advantage of lower cost labor markets and access larger and growing markets around the world in which to sell their goods and services.

Money, products, materials, information and people flow more swiftly across national boundaries today than ever. Advances in technology have enabled and accelerated this flow and the resulting international interactions and dependencies. These technological advances have been especially pronounced in transportation and telecommunications.

Types of globalization

Economic globalization

The focus is on the integration of international financial markets and the coordination of financial exchange. Free trade agreements, such as the North American Free Trade Agreement and the Trans-Pacific Partnership are examples of economic globalization

Political globalization

This type covers the national policies that bring countries together politically, economically and culturally. Organizations such as NATO and the UN are part of the political globalization effort.

Cultural globalization

This aspect of globalization focuses in a large part on the technological and societal factors that are causing cultures to converge. These include increased ease of communication, the pervasiveness of social media and access to faster and better transportation.

Benefits of globalization

- **Solves economic problems.** Globalization moves jobs and capital to places that need these resources. It gives rich countries access to lower cost resources and labor and poorer countries access to jobs and the investment funds they need for development.
- **Promotes free trade.** Globalization puts pressure on nations to reduce tariffs, subsidies and other barriers to free trade. This consequently promotes economic growth, creates jobs, makes companies more competitive and lowers prices for consumers.
- **Spurs economic development.** Theoretically, globalization gives poorer countries access to foreign capital and technology they would not otherwise have. Foreign investment can result in an improved standard of living for the citizens of those nations.
- **Encourages positive trends in human rights and the environment.** Advocates of globalization point to improved attention to human rights on a global scale and a shared understanding of the impact of people and production on the environment.
- **Promotes shared cultural understanding.** Advocates view the increased ability to travel and experience new cultures as a positive part of globalization that can contribute to international cooperation and peace.

Negative consequences of globalization

- **Destabilizes markets.** Critics of globalization blame the elimination of trade barriers and the freer movement of people for undermining national policies and local cultures. Labor markets in particular are affected when people move across borders in search of higher paying jobs or companies outsource work and jobs to lower cost labor markets.
- **Damages the environment.** The transport of goods and people among nations generates greenhouse gas and all the negative effects it has on the environment. Global travel and trade also can introduce, sometimes inadvertently, invasive species to foreign ecosystems. Industries such as fishing and logging tend to go where business is most lucrative or regulations are less strict, which has resulted in overfishing and deforestation in some parts of the world.
- **Lowers living standards.** When companies move operations overseas to minimize costs, such moves can eliminate jobs and increase unemployment in sectors of the home country.

- **Facilitates global recessions.** Tightly integrated global markets carry a greater risk of global recessions. The 2007-2009 financial crisis and Great Recession is a good example of how intertwined global markets are and how financial problems in one country or region can quickly affect other parts of the world. Globalization reduces the ability of individual nations to effectively use monetary and fiscal policy to control the national economy.
- **Damages cultural identities.** Critics of globalization decry the decimation of unique cultural identities and languages that comes with the international movement of businesses and people. At the same time, the internet and social media are driving this trend even without the movement of people and commerce.
- **Increases the likelihood of pandemics.** Increased travel, critics say, has the potential to increase the risk of pandemics. The H1N1 (swine flu) outbreak of 2009 and coronavirus in 2020 and 2021 are two examples of serious diseases that spread to multiple nations quickly.



Future of globalization

Technological advances, particularly blockchain, mobile communication and banking, are fueling economic globalization. Nonetheless, rising levels of protectionism and anti-globalization sentiment in several countries could slow or even reverse the rapid pace of globalization. Nationalism and increasing trends toward conservative economic policies are driving these anti-globalization efforts.

Global trade is also made more difficult and facing rising threats from other factors, such as these:

- climate change
- decaying infrastructure
- cyber attacks
- human rights abuses

THANKS FOR LISTENING!

