

Globalization and Economy: Interaction

Ali Fahed

Faculty of economy, Egypt

alifahd.22@gmail.com

Abstract

The research aimed to clarified the nature of the interaction between the economy and globalization. The descriptive approach is considered the most appropriate for the research topic. The researcher will rely on the descriptive approach in collecting data for the research by using previous research, books and studies that are closest to the research. The results revealed that the economic effects of globalization are not simple, and they are diverse and difficult to limit to one specific pattern; although globalization has contributed to opening new markets, enhancing investment and trade, and transferring technology and knowledge across borders, which has helped enhance economic growth, improve productivity, and create new job opportunities, it has, in return, caused income disparities and increased competitiveness.

Keywords: *economy, globalization, interaction*

1. Introduction

Globalization is a term that describes the interconnectedness of economies, cultures, and populations worldwide, resulting from cross-border trade in goods and services, information and communications technologies, and flows of investment and people.

Globalization has proven to raise the standard of living in developing countries, but some analysts warn that globalization can have a negative impact on local or emerging economies, workers and individuals (Ajide et al., 2021). This is because developing countries have not achieved any significant improvement in financial and trade liberalization because the largest proportion of foreign investment travels to developed countries. Economic globalization is one of the three main dimensions of globalization that are commonly found in the world as a whole, as economic globalization refers to the large-scale international movement of goods, capital, services, technology and information from one country to another (Shangquan, 2000).

Economic globalization is not new; it has been around since the beginning of civilization. People have traded goods with their neighbors, and as cultures have advanced, they have been able to travel further afield to trade their own goods for desirable products found elsewhere. Following the European exploration of the New World, globalization occurred on a larger scale as the widespread transfer of plants, animals, foods, cultures, and ideas became known and widespread.

In recent years, the rate of globalization has increased as a result of rapid advances in communications and transportation. Advances in communications enable businesses to identify investment opportunities, while innovations in information technology and instant communication enable the rapid transfer of financial assets across borders.

1.1 Research problem and questions

Studying a complex topic such as globalization in a comprehensive manner, and by delving into readings of the current features of the changing global system, may lead to facing major economic, political, ideological and cultural challenges and battles, the results of which are currently difficult to predict, and this is because the matter will depend on the extent of the ability of peoples and nations to struggle to confront the major global changes. The concept of

globalization has become one of the basic concepts for analyzing its main features, which are represented in the economic, political, cultural and social aspects. Based on that, the problem of the research can be summarized in the following questions:

1. What are the effects of globalization?
2. What is the nature of the interaction between the economy and globalization?

2. Methodology

The descriptive approach is considered the most appropriate for the research topic. The researcher will rely on the descriptive approach in collecting data for the research by using previous research, books and studies that are closest to the research.

3. Literature review

3.1 Globalization

It may be difficult to give an accurate definition of globalization due to the multiplicity of perspectives and opinions on the concept of globalization. Some consider globalization as a positive phenomenon, unlike others who view it as a negative phenomenon and one of the new forms of capitalist domination. They even went further, as they considered it one of the forms of neocolonialism (Ajide et al., 2021). Therefore, there is a difference in the views of globalization between socialism and capitalism, between national and subordinate systems, and between an Islamic and non-Islamic point of view (Radovic-Markovic, 2019).

In general, globalization in its political dimension refers to one of the forms of political control, especially after the emergence of a single pole represented by the United States of America. Globalization is also known as a field that includes money, marketing, exchanges and communication (Garza et al., 2021). Globalization also refers to the promotion of the phenomenon of the market economy that emerged to tighten control over the entire world and in favor of the strong against the interests of the controlled parties (Radovic-Markovic, 2019). Globalization is affected by many economic factors; as a result of the close interconnection between them; for example, the decrease in the costs of transporting goods and services, as a result of the development of technologies, transportation and communications, has helped accelerate trade exchange and market integration. Moreover, the consumer preferences for global products and services sometimes enhance international trade and contribute to deepening economic integration between countries.

The other factor of great influence in economic globalization lies in the policies of the governments of the countries involved in the process of economic integration 'bringing

international economies together', and how they are shaped and directed; For example, the existence of free trade zones between countries has facilitated the exchange of goods and services more freely without imposing many trade restrictions or customs duties, while restrictive state trade policies restrict opportunities for trade exchange, thus, reduce the benefits of economic integration, including the expansion of economic opportunities.

3.2 Effects of globalization

Globalization provides companies with a competitive advantage by allowing them to obtain raw materials in an inexpensive manner. Globalization also allows organizations to benefit from lower labor costs in developing countries, while benefiting from the technical expertise and experience of more advanced economies. Consumers also benefit, as globalization reduces the cost of manufacturing, which means that companies can offer goods at a lower price to consumers, as the average cost of goods is a major aspect that contributes to raising the standard of living. Consumers can also access a variety of goods (Samimi & Jenatabadi, 2014).

On the other hand, economic globalization, especially its financial aspects, had negative economic effects on the economies of developing countries, such as sudden fluctuations in capital, as the flow and leakage of this money increased significantly to major countries, banks were exposed to crises, and an atmosphere of speculation prevailed and the resulting money laundering by smuggling national capital abroad, which constituted a large percentage worldwide (Toma et al., 2014).

Thus, not everything about globalization is beneficial, as there are beneficiaries and there are those who are harmed, for example, people who depend on the job system in advanced societies, when labor is outsourced from neighboring countries, this means that workers in the advanced world must compete with low-cost job markets, while for the developing world, the situation will be more complicated.

3.3 Interaction between the economy and globalization

The effects of globalization on economic development often include positive improvements and opportunities that contribute to the growth of national economies and the promotion of global economic development. For example, globalization has opened up new horizons for countries to participate in cross-border trade and investment, and as a result, economic activities have increased and witnessed higher levels of growth (Ying et al., 2014).

Globalization allows companies to expand their operations, reach new markets, and increase access to customers, which increases their opportunities to sell their products or services, thus increasing revenues and profits. Globalization has also led to increased competitiveness among

companies in the global market, which has encouraged companies to improve their operations, innovate new products, and improve the services provided (Olimpia and Stela, 2017). This contributes to increasing productivity, thus improving the economic performance of companies, increasing revenues and profits, in addition to consumers benefiting from the results of this competitiveness; by providing high-quality products at lower prices, and with several options.

The economic impact of globalization was not limited to all of the above, but rather extended to the easy transfer of technology and new knowledge between countries of the world; to benefit from everything new in the age of technology; as the exchange of experiences, technologies and new innovations between countries enabled their practical application in the economic environment, in addition to the major contribution of globalization in opening global markets and attracting foreign investments, which returns to countries with economic growth, especially developing countries.

Although globalization has brought many important benefits, the economy in particular has not escaped some of its negative effects, including the loss of jobs and industries in some countries; as a result of companies moving their factories to countries where cheap labor is available; with the aim of reducing costs and increasing profits, which has negatively affected the economy of other countries (Garza et al., 2021). It can also be inferred from this that the countries of the world, or even the different regions within the same country, have not benefited from globalization equally, which has led to an increase in disparity in wealth and income between them.

One of the negative indirect effects of globalization on the economy is the homogenization of some cultural aspects between countries; that is, their great similarity; as some foreign values and customs have begun to be more accepted and widespread at the expense of local traditional cultures. One aspect of this effect on the economy is the decline in demand for traditional or craft products associated with local cultures, and thus a decline in their production, in addition to a decline in demand for local tourist destinations.

4. Conclusion

It is clear that the economic effects of globalization are not simple, and they are diverse and difficult to limit to one specific pattern; although globalization has contributed to opening new markets, enhancing investment and trade, and transferring technology and knowledge across borders, which has helped enhance economic growth, improve productivity, and create new job opportunities, it has, in return, caused income disparities and increased competitiveness; It

has become important to achieve a balance between the opportunities and challenges of economic globalization by developing strategies that focus on comprehensive economic development and international cooperation, enhance innovation and technological progress, and invest in individuals by educating them and developing their skills. This can certainly be achieved through effective cooperation between governments, institutions, companies, and civil society.

References

- Ajide, F., Osinubi, T. and Dada, J. (2021). Economic Globalization, Entrepreneurship, and Inclusive Growth in Africa. *Journal of Economic Integration* Vol. 36, No. 4, 689-717
- Garza, M., Rivera, A., Martínez, V. and Gonzalez, C. (2021). Globalization and economic competitiveness. MPRA. Available at: https://mpra.ub.uni-muenchen.de/107896/1/MPRA_paper_107896.pdf
- Olimpia, N., & Stela, D. (2017). Impact of globalisation on economic growth in Romania: An empirical analysis of its economic, social and political dimensions. *Studia Universitatis, Vasile Goldis Arad-Economics Series*, 27(1), 29-40.
- Radovic-Markovic, M. (2019). *The impact of globalization on entrepreneurship in small countries: A case of Serbia and Western Balkan countries*. In I. Janev (Ed.), *Serbia: Current political, economic and social issues and challenges* (pp. 1-9). Nova Science Publishers.
- Samimi, P., & Jenatabadi, H. S. (2014). Globalization and economic growth: Empirical evidence on the role of complementarities. *PLoS ONE*, 9(4), 1-7.
- Shangquan, G. (2000). *Economic Globalization: Trends, Risks and Risk Prevention*. CDP Background Paper No. 1.
- Toma, S. G., Grigore, A. M., & Marinescu, P. (2014). Economic development and entrepreneurship. *Procedia Economics and Finance*, 8, 436-443.
- Ying, Y., Chang, K. and Lee, C. (2014). THE IMPACT OF GLOBALIZATION ON ECONOMIC GROWTH. *Romanian Journal of Economic Forecasting – XVII* (2), p.25-35.