The Effect of Economic Globalization on Developing Countries

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The contemporary world is experiencing rapid processes of globalization, which influences all spheres of human activity, whether economic, social, or political ones. Being initially economically-oriented, globalization has initiated profound changes on the world stage. Countries that were previously undeveloped have obtained the status of developing ones, finding themselves on the road to significant economic improvements. In this context, economic globalization plays a central role in promoting those enhancements, simultaneously being often accused of deteriorating the stability of developing countries as well.

Particularly, the first and most important benefit of globalization is its contribution to human welfare, which can usually be measured using an economic perspective. There is an extended range of reasons and factors influencing the economic advantages of globalization. For instance, as Barbieri and Reuveny (2005) precisely note, increasingly globalized economies face more competition, which in turn, provokes them to proceed with the processes of self-improvement (as cited in Gearhart, 2013). Indeed, referring to statistics, it is clear that the majority of the world’s developing economies experience rapid growth because of globalization. According to data provided by the United Nations, the trends demonstrate the increasing FDI inflows into developing economies, from 3,854 million in 1970 to 1,305,852 million in 2006 (2008, p.29). Simultaneously, the beginning of the millennium brought the improvements of developing countries’ debt indicators from 224.1% in 1985 to 74.2% in 2005 (United Nations, 2008, p.37).

Naturally, the increasing economic welfare of developing countries influences other social spheres as well. For instance, the statistics provided by the United Nations demonstrate the growth in the population of developing countries, and namely, developing countries demonstrate a higher population growth rate than developed countries (United Nations, 2008, p.61).
Simultaneously, a portion of people living on less than $1 a day has also been decreased from 31.6 in 1990 to 19.2 in 2004 (United Nations, 2008, p.61). Moreover, the United Nations’ data reveals improved employment within developing countries, which is linked to economic globalization.

Naturally, these tendencies affect the general shapes of social welfare and sustainability. As it is highlighted by Gearhart, economic globalization produces stability in a society and reduces incidences of violence (2013). It occurs because economic globalization provides developing countries’ governments with more financial resources, which in turn are used to improve public services and ensure the safety of citizens. It is also worth highlighting that another benefit of engaging in economic globalization is the inclusion of developing countries into the international community (Gearhart, 2013). This advantage takes place because of opening greater opportunities and perspectives that are linked not only to material assistance, but also knowledge and experience sharing as well.

Although economic globalization brings obvious benefits to developing countries, it is also met with active criticism and the accusation of a range of negative effects. Reviewing this experience from the perspective of African developing countries, Mostert highlights that under certain circumstances, globalization can lead to higher unemployment and growing inequality in the distribution of income between developed and developing nations (2003). Indeed, statistics show that although the ratio between per capita GDP in developed and developing countries passed from 20.4 times in 1990 to 16.1 times in 2006, it has widened in absolute terms, from $20,000 to $26,000 in current dollars (United Nations, 2008, p.2). For the record, while such statistics constitute a fact about the negative influence of economic globalization, it is also often interpreted by some researchers from a positive perspective. For instance, Aisbett highlights that
it is worth remembering that globalization exposes many previously powerful national
corporations to outside competition, requiring greater changes, improvements, and transparency

As a result, it is clear that the process of economic globalization is considered to be a
double-edged sword. On one side, it is linked to the rapid development of a range of developing
countries, which has been taking place during the recent decades. On the other side, economic
globalization is met with accusations of the promotion of income inequality and in some cases,
unemployment.
References


