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Risk and Benefits of Economic Globalisation to Less Developed Countries

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ABSTRACT
Economic globalization has both negative and positive impact to countries in terms of trade liberalization economic growth and development. Globalisation is free flow of goods and service between countries and their governments. Least developed countries have to embrace economic globalization as it must to all countries. Developed countries that owns most of multinational corporations whom where agent of globalization comes with risks that multinationals are depressing wages of local communities; disrupt local companies' technological progress and process. Also, imported technology can create crowd and obsolesces of domestic technology especially to least developed countries. The study uses secondary data from world-bank and United Nation Conference of Trade and Development (UNCTAD). The study finds that home countries of majority of Multinational Corporation have received up to hundred per cent foreign direct investments more than most of least developed countries. Too big to challenge Margin of European countries to formulate European Union serve as a detriment to least developed countries. While, Benefit yield from globalization is not shared equally; the developed economics dominates the global economy. Finally, the study recommends that least developed countries should restructure their countries in terms political, social, economic and technological in other to adapt to globalisation. Conclusively, tariffs should impose as to protect the existing companies from foreign companies' unfair competition by encouraging production, since they have vast majority of land.

1.0 INTRODUCTION

The higher increase in international trade over the last three decade is a source of profitability and development. This international flow of investment has benefitted handful countries that dominated the international trade. Similarly, it implies that other countries were marginalised by other in world trade and investment. Thus, this marginalization comes from comparative advantage, civilization and education. This rapid increase in international market, investment and transaction is regarded as globalisation (Low, Olarreaga and Javier Suarez, 1998). The International Monetary Fund (IMF) and World Bank (WB) are regarded as the agent that helps countries to make economic adjustment in terms of their imbalances in international balance of payment and maintain their currency value. There motive is to assist its countries to achieve economic growth and developments through efficient adjustment in there balance of payment and achieve economic stability and growth. IMF offers recommendation to countries and gives loan to the nations that abide by its regulations.

Less developed countries are those that are ranked among the low developing economies like Kenya, Syria, Guatemala, Cape Verde, Morocco and Venezuela. IMF recommendation of going global entails what Kaplinsky (2005) summarise as it advocate liberalization of the domestic and foreign market, the free up economic activities and promotes integration of the domestic economy into the international trading system which eliminates domestic price and foreign decontrols. Also Guttal (2007) viewed going global as the imbalances that warrant due to imperfection of the market that create monoculture of ideas that bring unemployment and the domination of the rich to the detriment of the poor.

In this light, this report is organised into four sections. Section one is the introduction while section two is the review of related literature which provide information on impact of deeper globalization to low income countries. Section three analysed the data used for the study while the final section deals with recommendation and conclusion.

2.0 LITERATURE REVIEW

Globalization is mostly viewed as free trade; movement of transactions; undertakings, goods and services between nations and even continents which borders ceases to be an impediment. Moreover it is seen as intercontinental movement of goods and services that cut across all borders (Sulaymani, 2010). It is described as the transformation and unification of economic, socio-cultural and technological activities into a single process by bypassing countries borders. Hartungi (2006) opined that globalization is viewed by authors in different perspective. "Globalisation has also thrown up new challenges to developing countries like volatility in financial market, abuse of labour, environmental degradations" Noland (2004) sees globalization as a cross border expansion of economic activities that erase all protocols and customs. It could be understood that, globalization is an engagement between countries, individuals, corporation that by cut all boundaries.

Marquardt (2013), Mussa, M. (2000) and Rahman, M. M. (2013) outlines the following are the role of globalization: free access to information through internet, variety of products' scientific advancement, progress, inefficient way of doing things, high standard of living, flow of investment from transnational corporations, integration of market that brings opportunities to countries, job creation, professionalism, access to knowledge, innovation and creativity. It critics on the other hand, argues that globalization brings deregulation of the economy, greed, spill over effect of capitalism, domination of the global market by developed countries, poverty, foreign intervention, negative effect of foreign policy generates financial volatility and crises, risks, destruction of environment. The process of globalisation is seen as to analysis of the following fundamentals: free flow of goods and service between countries and their governments. Also, increasing in openness and liberalization of markets through elimination of individual countries barriers to trade and flow of goods and services. Similarly, it leads to the development of an integrated international financial market.

Globalization is often refers to economic globalization that is the movement of investment from national to international market that interconnect different market of the world. This is the scenario of business transactions to move freely with little barrier in the world. Spread of technology is an example of globalization. Economic globalization plays a vital role in paving the way to foreign market, foreign investment and good institution to exploit the opportunities, imperfections of national market. It's often understood by Sulaimani (2010) as the liberalization of market and free flow of communication devices technology and advancement not with individual only but countries and continent. He also sees that openness of economy to international capital inflows and foreign investment of to less developed countries as economic globalization.

Guttal (2007) shows that economic globalization is a business without borders. Stiglitz (2002) view economic globalization as "the closer integration of the countries and people of the world. Brought about by the enormous reduction in cost of transportation and communication and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge and (to lesser extent) people across borders." therefore economic globalization is a scenario that investment, ownership ,resources moves beyond local market that brings uniformity of consumption. Economic globalization is a new order that integrate people of different continent in a market structure without barriers. Is also the interconnectivity of the individual countries without territorial boundaries regulations. From this point of view therefore, economic globalization promotes low cost of production through transfer of technology and accelerates the homogeneity of goods and services.

Economic globalization is considered by Guttal (2007) as the increase in wealth by multinational corporations whereby creating homogeneity of consumption and the rapid taken over of business by the developed and powerful corporations. Bangwaati (2004) argues, that economic globalization is good and beneficial way of improving openness, free flow of resources, but mostly people lack clear understanding how it works. Kofi in Olusunkanmi, A. (2011) acknowledge the contribution of globalization as remarkable and have potentiality to raise standard of living. Sulaimani (2010)argues, that the economic growth of a country defends on the participation, recognition and it level of interconnectedness into the global market .from this point of view, the imbalances and interference of government, labour union that constrained the market to function effectively brings unemployment, poverty and economic crises(Anwar, 2004 in Sulaimani ,2010, p.102).With invisible hands floating without restriction or interference full employment would be achieve(Cetaris Paribus). The proponents of globalization have understood the endogenous effect of globalization with proper recognition the exogenous factors of globalization.

Some critic's traces economic globalization as Americanisation of the world with brings monoculture, economic imperialism in a deceptive cloth, selfish enough to destroyed identities and national inclinations. Stiglitz (2002) investigates the idea of economic globalization perfect information in the market eventually there is barriers and unequal dissemination of information in some economics and there is problems economic growth which Adam Smith invisible hands work imperfectly. Guttal (2007) emphasized the practical manifestation of global integration is the destruction of protocols and barriers that encourage privatisation, deregulation recommended by capitalist powers in Washington consensus .The global economic agent diversify to all region and section of the globe to achieve higher rate of return on investment in the interest of profitability.

2.2 INTERNATIONAL MONITORY FUND/ WORLD BANK VIEWS RECOMMENDATIONS ON GOING GLOBAL

International monetary fund (IMF) was established in 1944. It mission is to help countries to established stability in international financial market, make adjustment in their imbalances of international payment and to maintain the value of their currency. Stiglitz (2002) complain that IMF and WB device a harsh economic policies and recommend for countries in need of their loan, they misguide countries with unrealistic polices that conforms with economics assumptions in text books that is not applicable to such countries, it brings those countries to settle interest and accumulated debt without reasons. Going global means a country to privatize it public asset without justification, open to foreign investors, devalue their currency, liberalize and remove all subsidies with the aim of bringing stability of countries international balance of payments and accelerate economic growth. However, the end result is deeper stagnation in debt of the economy and crises because market cannot be efficiently relied upon.

2.3 RISK AND BENEFITS OF ECONOMIC GLOBALIZATION

Economic globalization entails liberalization of economies of countries. Noland (2005) outline four types risk; political, financial, control and premium. Olasunkami (2003) and Guttal (2007) worries that; supra national organizations are taking over economic powers of the countries in the world. Therefore corporation of developed economics moves to countries with lax environmental regulations, chief labour, comparative advantage and low labour regulations. The benefit yield from globalization is not shared equally; the developed economics dominates the global economy. Krugman (2002) stress that, global integration makes government to relax it regulations and restrictions which creates crises in the country's economy. Moreover, globalization comes with risks that multinationals are depressing wages of local communities; disrupt local companies' technological progress and process. Similarly, imported technology can create crowd and obsolesces of domestic technology. Consequently, noble laurite in economics Stiglitz (2000) outline the detrimental impact of liberalization as caused immerse pressure to infant industries with unfair competition from multinational corporations. Therefore, these make it hard for domestic industries to compete with multinational companies without protection from government. Protection gives grace to infant industries to become sufficient strong to compete and developed. Protection is evident in Japan, USA and some European countries like Germany before reaching maturity and highly industrialised. Also, globalization through trade liberalization is more favourable and advantageous to speed growing economics with higher inflow from foreign market.

Elliot *et al.* (2004) identified that the critics of globalization struggle for increase transparency and accountability with international institution and government to address globalization issues. Eslake,(2003) recognise improvement in technology, change in allocation of choice, preference, conscious change in countries policies and profit driving corporation in lower cost; are the among the benefit of globalization. Also, a study by Schumukler (2003) indicates despite the gain of globalization it also exposes to financial volatility and banking crises, exchange rate crises and contagion effect. Elliot *et al.* (2004) emphasized the saying of critics`` we opposed the unbalanced rules governing this globalization". Deeper globalization can be viewed as the tool for domination and modern neo-colonialism that disintegrates countries through IMF and World Bank unrealistic recommendation and credit monopoly power.

Going global has benefit coastal region of china and India, global market orientation has raise the standard of living of various people in world. The rural African in Nigeria can advertise and market his domestic made product internationally through the internet.

Therefore, globalization in relation to less developed countries can be viewed in relation to countries that have similar characteristics and similarities in accordance with World Bank report and data. According to World Bank report and data (2011) countries like Syria, Kenya, Morocco, Cape Verde and Guatemala have $2000 average per capital income at market rate.

3.0 METHODOLOGY

This article has been written on the basis of secondary data. The secondary data were derived from library research and World Bank website 1990-2010. Least developed countries and Highers recipient of Foreign Direct Investment where the basis for the analysis and those countries with at least $2000 average per capital income at market price. Comparative analysis is conducted to find the risk and benefits of deeper globalization. The sample size serves as a means of generalization of the study.

4.0 DISCUSSIONS

The discussion focuses on foreign direct investment, gross domestic product, and External debt stock, public and publicly guaranteed.

4.1 INDICATORS OF FOREIGN DIRECT INVESTMENT

Foreign direct investment is the fastest growing segment of cross border capital inflows. World Bank (2010) foreign direct investment are the net inflow of investment to acquire a lasting management interest (10% or more of voting stock) other than the investor.

Table one.

COUNTRIES	(YEARS) 1990 TO	2010
CAPE VARDE	1,744,334	111,440,809
GUAMTEMALA	90,700,000	686,900,000
UNITED STATES	57,800,000,000	236,226,000,000

World Bank report (2011)

Table one indicates that the risk of deeper globalization to one of the less developed countries like Guatemala foreign direct investment of 1990/2010 total to $777,600,000 which 12% growth while the host of most multinational corporation(United States) has $236,226,000,000 meaning 97% in relation to FDI of Guatemala . This clearly shows the marginalization of developed countries that dictate the rules in IMF/WB. Less developed countries should recognise the exogenous of market or else it will become a dumping ground for developed economics. Also, this serve as a threat to employments and jobs as MNCs would exploit the wage price that creates anarchy among workers and employers.

FDI is a signal for technological advancement, improved production techniques and large capital formation in poor countries (Mayer, *et al* 2005).therefore, less developed countries can benefit from capital inflow from FDI if the state can efficiently provide a good tax system, property right, low level of corruption and political stability. Deeper globalization would result inflow of capital intensive project, good corporations. Study by Globerman and Shapiro (1999) outline good governance is the indicator of positive inflow and outflow of FDI. Consequently, IMF recommendation of more market which leads to stock at the bottom of production and poverty traps of countries that have perverse effects. Jensen (2005) study countries have 25% less FDI than those not under IMF obligations.

4.2 GROSS DOMESTIC PRODUCT (GDP)

According to World Bank (2011) report GDP is the sum of gross value added by all resident producers in the economy plus product taxes minus subsidiaries. The GDP of Kenya, Syria, morocco, Guyana, Cade Verde, Bhutan and Tuvalu are $2000 or less in relation to united kingdom, United States, Germany, France, Canada, Denmark there are all above $20,000 GDP meaning 100% of those countries. Globalization is ruled by the powerful countries they dominate the process, decisions and dictates rules to less developed countries. Globalization indicates the quest for more profit that drives the demand for more openness and liberalization.

IMF recommendations of openness favour the rich at the expense of the poor in-terms of imbalances and problems of balance of payment. Jensen (2004) concludes that developing economics suffer serious price when their take advantage of IMF assistance. IMF assistance comes with stringent conditionality's that developing countries suffer bitterly the price of such loans. However, developed countries benefit from the positive impact of GDP such as rising standard of living, efficiency of production and emergence of good institutions. The higher the GDP indicates the diversity of products, higher profits. While lower GDP shows low labour, low rent and easy acquisition of real asset.

4.3 EXTERNAL DEBT STOCK, PUBLIC AND PUBLICLY GUARANTEED

According to World Bank report (2011) as the external debt by various public agents including national government that public entity guarantee payment.

Table Two

Countries	1990	2009
Guatemala	$3,920,789,000	$4,930,872,000
Syria	$4,915,926,000	$4,480,423,000
Kenya	$5,796,863,000	$6,543,192,000

World Bank data (2011)

Table 2 shows the level of debt guaranteed by public entities from 1990-2009 of less developed countries like Guatemala, the debt is increasing a billion dollar. That shows the level of dependency of such countries to external debt that stock them at the bottom. Meanwhile the debt has along financial risk effect. Repayment might be difficult to government of less developed countries due to the exposure of foreign currency is high compare to less developed countries national currency.

5.0 FINDINGS

The study finds that less developed countries can benefit from financial market integration by improving the performance of countries domestic financial sector, as their economy would be integrated with the global financial system. Similarly, for less developed countries to go global there is a risk of potential vulnerable of market. Consequently, deeper globalization shows the possible effect of contagion crises with few stabilization options. While, Economic globalization is being dominated by the developed countries and marginalized less-developed countries as less developed countries most of their products were categories as local product without quality and modernization. That also justified the bias in terms of market openness. Deeper globalization or market orientated government cannot be trusted market because market failure can eventually happen. Also, Market fails to deliver efficient allocation of resources.

Finally, engaging more in globalization is the downsizing, liberalization of government properties, higher interest rates, elimination of tariffs, open to foreign investors, free market, making the government and people to defend on the outcomes of the market. While, Market has imperfections as no developed countries progress without subsidies and protection from harsh foreign competitions. Also, the invisible hands cannot be relied upon. Less developed countries would be in propaganda effect of global leaders. Similarly, IMF assistance comes with stringent conditionality's that developing and less developed countries suffer bitterly the price of such loans due interest rate and others.

6.0 CONCLUSION

Globalization is the order of the day that needs to be embarking with regulation and government supervision. Globalization is term that national boundaries cease to be barriers to flow of good and capital (Kaplinskey, 2005).Therefore, less developed countries should not embark on deeper globalization because market has imperfections and cannot ensure efficient allocation of resources. Similarly, less developed countries should seek limited protectionism. This is due to developed countries highly specialised industries and long-term maturity.

7.0 RECOMMENDATIONS

Since Globalization it's all-encompassing and incorporating phenomenon which is irreversible and un-escapable to least developed and developing countries. Similarly, considering the position of less developed African countries and it possible role in Globalization the following recommendation is made: or the numbers of option are open to policy makers in order achieve positive impact of globalization. These include:

1. There should be an efficient organised body that would regulate the gradual process of globalization.
2. Globalization should be limited in a gradual process and long-time planning.
3. The government should accommodate technology in correspondence with the development of the economy.
4. Less developed countries should not should not accepting IMF recommendation for loan.
5. The government should encourage market oriented economy by encouraging export and manipulate the rules of globalization market economics in a desire state that would improve the standard of living and growth of the economy.
6. The less developed countries should exploit the absolute advantage of their countries. Also, government must intervene as no government of developed country growth without subsidies.
7. Tariffs should impose to protect the existing companies from foreign companies' unfair competition by encouraging production, since they have vast majority of land.
8. Agricultural facilities should be subsidized to form a basis for food security, since less developed countries its 65% rural or farmers.
9. Least developed countries should restructure their countries in terms political, social, economic and technological in other to adapt to globalisation.

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