

The Pros And Cons Of Globalization

[Mike Collins](#)

A story in the Washington Post said “20 years ago globalization was pitched as a strategy that would raise all boats in poor and rich countries alike. In the U.S. and Europe consumers would have their pick of inexpensive items made by people thousands of miles away whose pay was much lower than theirs. And in time trade barriers would drop to support even more multinationals expansion and economic gains while geo political cooperation would flourish.”

There is no question that globalization has been a good thing for many developing countries who now have access to our markets and can export cheap goods. Globalization has also been good for Multi-national corporations and Wall Street. But globalization has not been good for working people (blue or white collar) and has led to the continuing deindustrialization of America.

Globalization is a complicated issue. It is necessary to evaluate the pros and cons before drawing any conclusions.

Pros

Supporters of globalization argue that it has the potential to make this world a better place to live in and solve some of the deep-seated problems like unemployment and poverty.

1. Free trade is supposed to reduce barriers such as tariffs, value added taxes, subsidies, and other barriers between nations. This is not true. There are still many barriers to free trade. The Washington Post story says “the problem is that the big G20 countries added more than 1,200 restrictive export and import measures since 2008
2. The proponents say globalization represents free trade which promotes global economic growth; creates jobs, makes companies more competitive, and lowers prices for consumers.
3. Competition between countries is supposed to drive prices down. In many cases this is not working because countries manipulate their currency to get a price advantage.
4. It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity, creates the conditions in which democracy and respect for human rights may flourish. This is an ethereal goal which hasn't been achieved in most countries
5. According to supporters globalization and democracy should go hand in hand. It should be pure business with no colonialist designs.

6. There is now a worldwide market for companies and consumers who have access to products of different countries. True

7. Gradually there is a world power that is being created instead of compartmentalized power sectors. Politics is merging and decisions that are being taken are actually beneficial for people all over the world. This is simply a romanticized view of what is actually happening. True

8. There is more influx of information between two countries, which do not have anything in common between them. True

9. There is cultural intermingling and each country is learning more about other cultures. True

10. Since we share financial interests, corporations and governments are trying to sort out ecological problems for each other. – True, they are talking more than trying.

11. Socially we have become more open and tolerant towards each other and people who live in the other part of the world are not considered aliens. True in many cases.

12. Most people see speedy travel, mass communications and quick dissemination of information through the Internet as benefits of globalization. True

13. Labor can move from country to country to market their skills. True, but this can cause problems with the existing labor and downward pressure on wages.

14. Sharing technology with developing nations will help them progress. True for small countries but stealing our technologies and IP have become a big problem with our larger competitors like China.

15. Transnational companies investing in installing plants in other countries provide employment for the people in those countries often getting them out of poverty. True

16. Globalization has given countries the ability to agree to free trade agreements like NAFTA, South Korea Korus, and The TPP. True but these agreements have cost the U.S. many jobs and always increase our trade deficit

Cons

- The general complaint about globalization is that it has made the rich richer while making the non-rich poorer. “It is wonderful for managers, owners and investors, but hell on workers and nature.”

- Globalization is supposed to be about free trade where all barriers are eliminated but there are still many barriers. For instance 161 countries have value added taxes (VATs) on imports which are as high as 21.6% in Europe. The U.S. does not have VAT.

- The biggest problem for developed countries is that jobs are lost and transferred to lower cost countries.” According to conservative estimates by Robert Scott of the Economic Policy Institute, granting China most favored nation status drained away 3.2 million jobs, including 2.4 million

manufacturing jobs. He pegs the net losses due to our trade deficit with Japan (\$78.3 billion in 2013) at 896,000 jobs, as well as an additional 682,900 jobs from the Mexico –U.S. trade-deficit run-up from 1994 through 2010.”

- Workers in developed countries like the US face pay-cut demands from employers who threaten to export jobs. This has created a culture of fear for many middle class workers who have little leverage in this global game
- Large multi-national corporations have the ability to exploit tax havens in other countries to avoid paying taxes.
- Multinational corporations are accused of social injustice, unfair working conditions (including slave labor wages, living and working conditions), as well as lack of concern for environment, mismanagement of natural resources, and ecological damage.
- Multinational corporations, which were previously restricted to commercial activities, are increasingly influencing political decisions. Many think there is a threat of corporations ruling the world because they are gaining power, due to globalization.
- Building products overseas in countries like China puts our technologies at risk of being copied or stolen, which is in fact happening rapidly
- The anti-globalists also claim that globalization is not working for the majority of the world. “During the most recent period of rapid growth in global trade and investment, 1960 to 1998, inequality worsened both internationally and within countries. The UN Development Program reports that the richest 20 percent of the world's population consume 86 percent of the world's resources while the poorest 80 percent consume just 14 percent. “
- Some experts think that globalization is also leading to the incursion of communicable diseases. Deadly diseases like HIV/AIDS are being spread by travelers to the remotest corners of the globe.
- Globalization has led to exploitation of labor. Prisoners and child workers are used to work in inhumane conditions. Safety standards are ignored to produce cheap goods. There is also an increase in human trafficking.
- Social welfare schemes or “safety nets” are under great pressure in developed countries because of deficits, job losses, and other economic ramifications of globalization.

Globalization is an economic tsunami that is sweeping the planet. We can't stop it but there are many things we can do to slow it down and make it more equitable.

What is missing?

Leadership – We need politicians who are willing to confront the cheaters. One of our biggest problems is that 7 of our trading partners manipulate their currencies to gain unfair price advantage which increases their exports and decreases their imports. This is illegal under WTO rules so there is a sound legal basis to put some kind of tax on their exports until they quit cheating.

Balanced Trade – Most of our trading partners can balance their trade budgets and even run a surplus. We have not made any effort to balance our trade budget and have run a deficit for more than 30 years resulting in an \$11 trillion deficit. The trade deficit is the single biggest job killer in our economy, particularly manufacturing jobs. We need the government to develop a plan to begin to balance our trade deficit even though this is not a political priority in either party.

Trade Agreements – Both the NAFTA and the South Korean Korus trade agreements might have been good for Wall Street and the multi-national corporations but they eliminated jobs in America and expanded our trade deficit. The upcoming Trans Pacific Trade Agreement will do the same thing and Congress should not fast track this bad agreement for a dozen reasons.

Enforcing the rules – China ignores trade rules and WTO laws with reckless abandon. Besides currency manipulation they subsidize their state owned companies to target our markets, and provide funding to their state owned companies that dump their products in America. They also steal our technologies, sell counterfeit versions of our products, and impose tariffs and other barriers anytime they want - as we do nothing to stop them. China does not deserve to be on our most favored nation list and we need to tax their exports to us until they stop these illegal activities.

What is good for third world countries, like Kenya, or countries with tremendous growth, like China, has not been good for American workers. Globalization is deindustrializing America as we continue to outsource both manufacturing blue collar and white collar jobs. Supporters of globalization have made the case that it is good because it has brought low priced imported goods, but they have not matched the decline of wages in the middle class and will not offset the loss of many family wage jobs

Globalization is like being overwhelmed by a snow avalanche. You can't stop it – you can only swim in the snow and hope to stay on top. I would like to make the argument that the US should try a lot harder to swim in the snow and stay on top. We can't stop globalization but there are many policies and strategies we can use to make it more equitable. We can enforce the trade laws, force the competition to play by the same rules, and stop giving our competitors the tools (technology and R& D) to ultimately win the global war.