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THE EMPIRICAL STUDY OF EFFECT OF GLOBALIZATION ON GLOBAL MARKET

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Abstract

Globalization has surfaced as an effective emulsion for change in the contemporary world, bringing about metamorphoses in husbandry, societies, and requests. The global profitable commerce is as old as it's old the society in its more or less structured form. There's an abecedarian shift in the world far-sightedness as the world is moving down as public husbandry are tone-contained realities, insulated from each other through walls, distance, time zone, and language can pose challenges to cross-border trade and investment. From the artificial revolution until moment, there's ongoing unrecoverable global profitable integration. This empirical disquisition lodgings deeply into the different goods of globalization on the global request, exercising a healthy exploration methodology to study data across colorful sectors and geographical regions. This exploration comprehends a wide collection of globalization facades, similar as trade liberalization, technological progress, artistic relations, and fiscal connection. By analysing these aspects, this exploration offers an expansive appreciation of the ways in which globalization has converted the overall structure of the global request. The issues of this exploration hold significance for enterprises, policymakers, and vested interests looking to manoeuvre through the complex geography of the global request during a period characterized by unequalled interconnectivity.

Introduction

As we become more connected through technology and trade, businesses are no longer controlled by geographical boundaries. The globalization has rapidly transformed the world in unexpected ways¹. The world is transforming, with changes in political, economic, and business activities, as

¹ Purba, Aldilla Ranita, The Effects of Globalization on International Communication in the World Business (November 8, 2021).

well as expansion of technology, transport, communications, societies, import-export, direct investment, and migration across borders. This process driven by the increased flow of goods, services, capital and information across border, had a profound effect on global market. This transformation is marked by the various opportunities and challenges which in turn influence these dimensions of the market i.e., trade, technology, import-export, politics, economics, finance, culture etc. The effect of globalization on global market is marked by various advantages and disadvantages which are heavily debated in the past years². Globalization also affect labour markets other than trade and business³. International capital flows can lead to wage and income inequality in advanced economies if low-skill jobs move to developing countries. Similarly, international labor mobility can contribute to inequality in advanced economies if low-skill workers face increased competition from immigrants seeking higher wages. Finally, the transfer of technology across countries can also impact labor markets.

History of Globalization

The history of globalization can be traced back to ancient time, when people began to trade goods and ideas over long distances⁴. The Silk Road, a vast network of trade routes that connected China to Europe and the Middle East, had a profound impact on global trade. It enabled the transport of luxury goods from China to Rome for the first time in history, transforming trade from a local or regional activity to a global one⁵. Silk and spices were among the most prized commodities traded along the Silk Road, reflecting their status as luxury goods. If the Silk Road closed, the fall of empires was caused by it. Other important trade routes include the Spice Route and the Trans-Saharan Trade Route. During the Middle Ages, globalization was accelerated by the rise of Islam and the Crusades. Islam and the Crusades spread rapidly throughout North Africa, Asia, and Europe, creating a vast network of trade and communication. Spices were extremely expensive and high in demand, and remained a luxury good, like silk. Unlike silk, spices were mainly traded by sea since ancient times. Cloves, nutmeg, and mace became the most popular spices from the Spice Islands in Indonesia. Globalization had not yet taken off, but the original sea and silk trade

² Samimi P, Jenatabadi HS. Globalization and economic growth: empirical evidence on the role of complementarities. PLoS One. 2014 Apr 10;9(4):e87824. doi: 10.1371/journal.pone.0087824. PMID: 24721896; PMCID: PMC3982958.

³ Kruse, Douglas L. "International Trade and the Labor Market Experience of Displaced Workers." *Industrial and Labor Relations Review*, vol. 41, no. 3, 1988, pp. 402–17. JSTOR

⁴ Steger, Manfred, 'Globalization and history: is globalization a new phenomenon?', Globalization: A Very Short Introduction, 3rd edn, Very Short Introductions (Oxford, 2013; online edn, Oxford Academic, 24 Sept. 2013)

⁵ Blydes, Lisa, and Christopher Paik. "Trade and Political Fragmentation on the Silk Roads: The Economic Effects of Historical Exchange between China and the Muslim East." *American Journal of Political Science*, vol. 65

routes between the East and West were now established. During the 15th century European explorers travelled to all corners of the globe, established new trade routes and colonies, and famously "discovered" America, which put an end to pre-Columbian civilization. This led to an exchange of goods, plants, animals, and diseases between Europe and the rest of the world, including potatoes, tomatoes, chocolates, and coffee. The prices of spices fell sharply. However, the subsequent global economy was still very siloed and uneven. European empires established trade networks that were primarily limited to their own colonies. This created a mercantilist and colonial economy, but not a truly globalized one. Mercantilism, which lasted from the 16th to the 18th centuries, was a system in which European nations sought to maximize their wealth through trade and colonization. This led to increased competition between European powers and accelerated globalization. The Industrial Revolution, which started in the late 18th century, led to a surge in goods production and a drop in transportation costs, enabling trade over longer distances than ever before. By the end of the 18th century, Great Britain had become the dominant global power, both geographically and technologically. Steamers and trains made it possible to transport goods thousands of miles between countries, while industrialization enabled Britain to produce high-demand goods such as iron, textiles, and manufactured goods. The rise of free trade in the 19th century further fuelled globalization. Free trade allowed goods to flow more freely between countries, which promoted economic growth. For about a century, trade grew at an average rate of 3% per year⁶. In the 19th century, exports accounted for 6% of global GDP. By World War I, this had increased to 14%. The first wave of globalization began in the late 19th and early 20th centuries, driven by new technologies such as the telephone, airplane, and computer⁷. These technologies made trade and communication easier and cheaper. Neoliberalism, which emphasizes free markets and limited government intervention, also contributed to the growth of globalization in the 20th century. Globalization accelerated in the 21st century, with global exports reaching a milestone of 25% of global GDP. This was driven by the rise of the internet and the digital economy. E-commerce, digital services, and 3D printing were all in their infancy during this wave of globalization, but they quickly became major forces. Artificial intelligence enabled these technologies, but also threatened them through cross-border hacking and cyberattacks. The internet has made it possible for people and businesses all over the world to connect and trade with each other. However, globalization has also had negative

⁶ Estevadeordal, Antoni, et al. "The Rise and Fall of World Trade, 1870-1939." *The Quarterly Journal of Economics*, vol. 118, no. 2, 2003, pp. 359–407

⁷ Britannica, The Editors of Encyclopaedia. "Industrial Revolution". Encyclopedia Britannica, 26 Sep. 2023, <https://www.britannica.com/money/topic/Industrial-Revolution>. Accessed 30 October 2023.

consequences, such as climate change. Pollution and deforestation, particularly in the Amazon rainforest, have had a devastating impact on the planet. The growth of China and other emerging markets has also contributed to globalization. These countries have become major players in the global economy and have increased demand for goods and services from other countries. Overall, globalization has had a profound impact on the world economy and society. It has made it easier for people and businesses to connect and trade with each other, but it has also led to challenges such as climate change and inequality.

The impact of globalization on Global Market

Globalization is an organic process that involves the expansion and quickening of the character and production process generalization. The global development of economic and financial advances is influenced by the advancements in science, engineering, and technology as well as the growth of global marketplaces for products. The globalization of markets and the globalization of production are just two of the many aspects of globalization. The term "globalization of markets" describes the blending of traditionally distinct and independent national marketplaces into a single, sizable worldwide market. Globalization of production is the tendency of businesses to source goods and services from around the world to exploit regional differences in factor costs and quality. It increases interconnectedness and interdependence among nations. Globalization encourages companies to expand internationally and increase the number and variety of cross-border transactions in capital and goods. As the world becomes more interconnected in finance, the environment, society, politics, culture, and other areas, globalization is an exciting phenomenon. Globalization has impacted global market in number of ways as it has led to the emergence of global supply chains, where different stages of production process are located in different countries, emerging markets are countries that are rapidly developing their economies as these markets are becoming increasingly important for global economy as they account for growing share of global trade and investment, FDI has also grown in recent decades, as multinational corporations have expanded their operation into new markets, E-commerce has also allowed the business to sell their products and services to consumers all over the world, globalization had a significant impact on labor market, which led increased competition of jobs, which has put downward pressure on wages in some developed countries. Globalization has also helped India to raise its global profile and influence. As India is now a player of G20 and the BRICS group of emerging economies. India is also a leading member of organisations such as South Asian Association for Regional Cooperation (SAARC) and the Bay

of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). India's exports have grown from \$18 billion in 1990 to \$337 billion in 2022 and its imports have grown from \$25 billion to \$610 billion over the same period. India's FDI have also increased from \$140 million in 1990 to \$81.9 billion in 2021-22⁸. It has also helped India to reduce its poverty from 45% in 1994 to 22% in 2019.⁹ Increased information and idea exchange between India and other nations has also benefited India, since it has increased productivity and innovation in the country's economy. India is become a world leader in the pharmaceutical and IT industries. Other nations, such as China, were also influenced by globalization as it facilitated increased commerce and investment, opened up new markets, and transferred technology. Millions of people have been lifted out of poverty thanks to it, and they now have the second-biggest economy in the world. Globalization has also benefited the United States by increasing trade and investment, lowering consumer prices and providing a greater selection of goods and services, as well as lowering labor costs. Another nation that has felt the effects of globalization is Vietnam, especially in the industrial sector, which has aided in the country's economic expansion and employment creation. Since everything has two sides, globalization also has its drawbacks. Because globalization has not been dispersed equally, it has increased inequality both between and within nations. Richer people have profited more than poor people, and developed nations have benefited more than emerging countries. The spread of the pandemic has been facilitated by globalization. Businesses in wealthy nations now face more rivalry as a result of China's ascent to prominence in the global economy. Additionally, it has resulted in the low-cost labor outsourcing of employment from industrialized to underdeveloped nations. Due to businesses moving to nations with laxer environmental regulations, increased transportation of goods, increased greenhouse gas emissions, and the loss of biodiversity brought on by infrastructural development, globalization has also had an impact on environmental degradation. Globalization led to the 2008 Global Financial Crisis (GFC). Numerous causes contributed to the crisis, notably the US subprime mortgage crisis and the failure of Lehman Brothers. The detrimental effects of globalization should be disregarded, nevertheless, and attention should be paid to ways to lessen these effects. Strengthening international organizations like the World Trade Organization (WTO) and International Monetary Fund (IMF) can help to offset these negative effects in a variety of ways, and they can also be important in controlling globalization. In order to assist workers in adjusting to the effects of globalization, the government can also fund education and

⁸ IMF e-library- <https://www.elibrary.imf.org/view/journals/023/0029/007/article-A009-en.xml>

⁹ Centre for global development- <https://www.cgdev.org/blog/great-indian-poverty-debate-20>

skill development. To safeguard employees from exploitation, the government should also concentrate on enforcing labor rules more strictly and effectively. The corporate world has been significantly impacted by globalization, which has given companies new chances to grow their clientele and revenue. Growing competitiveness is one of the most important ways that globalization has affected the corporate world. Many firms used to only be able to compete with other companies in their own nation, but globalization has made it possible for them to do so with companies all over the world. Because of this, companies are under more pressure to be creative and effective in order to stay competitive. The ease with which companies may now shift across national borders is another way that globalization has affected the corporate world. Firms have been forced to outsource employment to nations with cheap labor costs, which has resulted in job losses in developed nations and pressure on salaries to decline¹⁰. This has had a variety of negative effects on the firms. A further consequence of globalization is that a lot of companies have begun to evade taxes by moving to nations with low tax rates. This has decreased government revenue collection and resulted in the reduction of public services. Additional effects of globalization on the corporate sector include the ability for companies to grow internationally and obtain more funding from around the globe. Examples of how globalization has affected the corporate world include Toyota, Apple, and Walmart. Walmart is a global corporation that operates in over 25 countries. It has garnered criticism for its labor policies and influence on local businesses due to its ability to source items at low costs from all over the world. Located in more than 150 countries, Apple is a global tech giant that designs, develops, and sells consumer electronics, software, and online services. While globalization has allowed Apple to reap its benefits, it has also been criticized for its environmental impact and labor abuses. Another such is the international automaker Toyota, which has its headquarters in Japan. Toyota is another company that has benefited from globalization, being able to manufacture automobiles in nations with cheap labor costs and sell them in nations with strong demand. It has also had negative effects from globalization, such as having to recall millions of automobiles because of safety concerns. Numerous corporations and enterprises have been greatly impacted by globalization, which has presented both possibilities and problems.

¹⁰ Kotabe M, Murray JY. Global sourcing strategy and sustainable competitive advantage. *Industrial Marketing Management*. 2004 Jan;33(1):7–14

Conclusion

In order to create policies that may maximize profits and reduce expenses, globalization is a complex phenomenon that has had a significant influence on the global economy in both positive and bad ways. Notwithstanding its drawbacks, it has had a good effect on the world economy by promoting economic development, cutting consumer costs, raising productivity and innovation, and decreasing poverty. It has presented several obstacles concurrently with its creation of possibilities. It is a process that is driven by a number of elements to create interdependence and connectivity among the various economies throughout the world. Although there are problems associated with globalization, we may also view it as the outcome of our growing capacity to handle complexity. The word may be moving towards a more global economic system, but globalization is not inevitable.

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