Globalization and Global Risks Some thoughts based on
The World is Flat

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ABSTRACT
China’s ancient Silk Road will not succeed without Malaysia. At that time, the main commodity circulating on the Silk Road was tea, which was difficult to preserve and expensive. Good thing was Malaysia had the best tin mine. Tea and tin have made the Silk Road a reality: without tin, the tea trade will not be popular; on the other hand, Malaysia will not be world-famous without the Silk Road and will become the leading country in the production of tin. This is the trade. It is an expansion of economic activities across political and boundaries of nation states. Besides, globalization creates conditions for widening international exchanges, strengthening mutual understanding between nations, expanding cultural, education, and scientific cooperation, enjoying the cultural treasures of people around the world which encourages the process of modernization and enrichment of national culture.

Today, in the era of globalization, it is changing our world and affecting every nation, society and even every individual. In the face of the tide of globalization, globalization with its immense power, involved almost all ethnic groups and become global players. When globalization swells the world with its turbulent momentum and widespread influence, anti-globalization has become a new type of globalization. Globalization and anti-globalization co-exist and interact with each other and make globalization complicated.

1 INTRODUCTION:
1.1 The Pros and Cons of Globalization:
Three versions of evolution of globalization and triple convergence which are the convergence of ten flatteners, new platforms and new competitors, make the world more flat. Economic Globalization is the inevitable stage in which human society is moving toward a more advanced social formation that has greatly changed humanity’s confinement, conservatism, narrowness, prejudice and short-sightedness caused by the limitations of the region and history, promoting the material, cultural and mutual understanding, communication, cooperation and friendship. Economic globalization can promote the development of world economy with the most favorable production conditions and the most optimized market and its allocation of resources so as to achieve the optimal allocation and combination of resources and overcome the restrictions on economic development of markets and resources so that promote the world economy development. Globalization can provide post-development countries with opportunities to make full use of the capital, technology, information and advanced management of developed countries in the process of globalization so as to reduce the time and cost of exploration and quickly catch up with the developed countries. This is the “post-development effect.” By using the post-development effect, developing countries can take a lot less roads and seize opportunities for development. They are rapidly emerging as up-and-coming youngsters and come from behind. This change is also a source of vitality for the development of international relations. The world needs globalization.

The driving force of globalization comes first and foremost from the inherent expansionary nature of the world market. The invisible hand of the market mechanism has been pushing forward the advance of the world. For hundreds of years, practice has indeed proved that this is correct. The market mechanism is the process of allocating resources and achieving the optimal combination. This process requires global free flow of factors of production. Now, this kind of free flow is both the cause of globalization and the result of globalization.

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The success of technological innovations, especially the revolution in information technology, providing the external conditions for globalization and making it possible for a global network of trading and financial markets.

Financial centers such as New York, London, Tokyo, Frankfurt and Hong Kong keep the world carry out around the clock. People can engage in financial transactions from time to time. The Internet popularized in the 1990s has linked the people together. News from all over the world can be timely learned. Nothing can be excluded from the world.

The end of the cold war has officially opened the process of globalization. The disintegration of the Soviet Union and the changes in the political situation in Eastern European countries not only mean the end of the military confrontation between the East and the West, but also the decisive change in the international political arena. The balance between state planning and market competition is decisively inclined toward the latter.

1.2 Developing Countries and Globalization:
For developing countries, the pros and cons of globalization are uncertain. In the face of economic globalization, countries not only grasp the opportunities it offers but also avoid disadvantages, and avoid the risks it brings.

There is a close relationship between the speed of economic development in developing countries and the extent to which economic globalization is adopted, and participation in economic globalization is conducive to the economic growth of developing countries. In some labor-intensive industries, the international competitiveness is even more pronounced. There is no doubt that developing country groups are beneficiaries in the process of economic globalization. However, Differences in initial conditions and acquired economic policies give a great deal of leverage to developing countries’ individual participation in economic globalization. A few emerging countries and regions have seized the favorable opportunity and made remarkable achievements with the help of FDI and technological resources. A large amount of foreign investment helps to solve the problem of developing countries’ serious shortage of capital in the process of economic construction and thus can promote economic growth. China was ranked the world’s third largest FDI recipient after the United States and the UK, attracted a record high USD 134 billion of FDI in 2016 [1] (United Nations, 2017). Economic globalization speed up the reform of China’s economic structure and at the same time, it is conducive to expanding exports and attracting foreign investment, as well as accelerating the adjustment and upgrading of the domestic industrial structure. Because of the transfer of technology and information, China has been able to get the most out of information experience and technology from all over the world.

Foreign investment helps to solve the problem of Employment of Surplus Labor in Developing Countries. According to the theory of “location advantage”, resources of production factors allocated by multinational corporations around the world. Due to the large population in developing countries, there are generally low labor labor costs in developing countries. Foreign investment can arrange for a large number of surplus laborers with low wages to engage in effective employment so that developing countries can develop their own labor-intensive products and industries with the advantages of international division of labor.

The capital is conducive to the economic restructuring of non-market economy countries. The entry of capital brings about the game rules and practices of market economy, shortens the time for developing countries to transition from a dual economy to a modern economy, and accelerates the formation of a modern economic system. Proved that the more open a country is, the faster its economic restructuring will proceed. Culture matters globalization, openness is critical. The higher the degree of outward of national culture, the easier it is to absorb new foreign ideas and new technologies and integrate them with their own traditions. Only the adaptive and inclusive culture can gain real benefits in the present-day world. The flatness or economic success = Wholesale Reform + Retail Reform + Good governance + Good Education + Sound Infrastructure + Integration of Globalization and Localization [2] (Friedman, 2006, 403-437). Even though globalization affects the world’s economics in a very positive way, its negative sides should not be forgotten.

A large number of foreign investments can easily create a debt burden and may trigger an international debt crisis. Foreign investment has a great impact on national capital and national industry. Due to the transnational capital’s “statelessness” and lack of national identity, it can not completely replace the function of national capital. Therefore, the excessive foreign capital is likely to crush the national industry in developing countries, which may undermine the long-term economic development.

Economic globalization has made the sharp contradictions between the ecological environment and sustainable development of developing countries. Most labor-intensive industries belong to sunset industries. While multinational corporations allocate production resources around the world, they have brought sunset industries into the developing countries, causing serious damage to the ecological environment of developing countries.

The transnational capital has increased the speculative and risk levels in financial markets, making it easier for the short-term speculative capital to impact the weaker domestic market in developing countries. The most obvious example is the international financial crisis that took place in Southeast Asia at the end of the last century. Foreign exchange markets, stock markets crash plunged, the financial system and the entire society experienced an economic trauma.

The economic restructuring of developing countries in the context of economic globalization is full of turmoil and ups and downs. Economic globalization has made the economies of all countries in the world closely linked, and the stability of the domestic economy in developing countries depends not only on domestic factors but also on the huge influence of international factors. Therefore, during the process
of economic restructuring in developing countries is full of variables. Economic globalization has accelerated the imbalance of economic development between developing and developed countries. These countries are in the unflat world, they are too sick, disempowered and too frustrated. People in good health, but lack of the relevant tools and skills or lack perfect infrastructure to continuously and effectively participate in various innovations and cooperation. With sufficient information they have learned that the world is flattening, but they have never benefited from this trend [2] (Friedman, 2006, 533-604).

To a certain extent, economic globalization has undermined the economic sovereignty of developing countries. Many foreign direct investment of multinational corporations has influenced the economic sovereignty of various countries. The developing countries are dominated by the developed countries international economic rules and order constraints. The economic globalization has led to the continuous expansion of economic and technological relations between the North and the South, generally weakening the economy of developing countries. In addition, the developed countries taking advantage of their dominance in economic globalization to step up their promotion of political and cultural hegemony and economic neocolonialism have led to more unequal political, economic and cultural ties between North and South and will surely trigger a series of new contradictions. Therefore, the fundamental issue is to establish a fair and rational new international political and economic order.

2 ANTI-GLOBALIZATION:

Anti-globalization is a very complicated international phenomenon that protests against globalization. It is both a product of the internationalization and domestic problems brought about by the globalization to a certain stage. It is also a negative reaction of mankind in the face of new challenges and threats. In 2000, Rodrik pointed out that although globalization is (at the time) unstoppable, it inherently contains a crisis rooted in the irreconcilable contradiction between global economic integration and the global political superstructure. He proposed a “Augmented Trilemma” that is, integrated national economies (or globalization), mass politics and nation-state can not be both at the same time, pick two and any two [3] (Rodrik, 2000).

In short, economic globalization requires that all countries adopt integration measures such as reducing trade barriers, unifying taxes and regulations, and opening up capital flows. This will pose a threat to the sovereignty of the country. It forcibly promote globalization while guaranteeing the sovereignty of all countries, the interests of some groups in the country will be damaged, the interests of these people will only be sacrificed, which in turn runs counter to the principle of democracy. To ensure the integrity of democracy and sovereignty will inevitably lead to the global slow down.

Interest-damaged industries formed lobbying groups in the process of globalization, each of whom aims to contribute to the government to influence tariffs. The government places a premium on campaign contributions, but it also weighs consumer welfare with all individuals and gives different industries different weights, with the goal of maximizing the weighted sum. However, industries also have to overcome the “free riding” problem to form interest groups, forming lobbying groups when their potential returns are high enough or their costs are low enough. Therefore, according to the theory of protection for sale, the anti-global policy formation mechanism is globalized - some industrial interests are damaged - the formation of interest groups - the provision of political cash - the government weighs - the formation of protection policies. Here, the government’s policy is “price” and seems to be a tradable product, so it is “protection for sale.” [4] (Grossman, G., & Helpman, E., 1994)

The anti-globalization movement is at a stage of further differentiation and integration. It will inevitably have many impacts on the current complicated international situation. In particular, the impact on the development of economic globalization will continue to rise. Judging from the development trend of the anti-globalization movement, the two major forces of globalization and anti-globalization will continue to develop. Moreover, the opposition between the both sides will continue to exist and the anti-globalization movement will further move towards internationalization.

3 GLOBAL RISKS:

A global risk is an occurrence that causes significant negative impact for several countries and industries over a time frame of up to 10 years. According to a World Economic Forum survey in 2017, extreme weather events, large-scale involuntary migration, major natural disasters, large-scale terrorist attacks, massive incident of data fraud/theft are the top picks for the mostly likely global threats. The report of 2017 shows that three major trends which are economic inequality, social polarization and increasingly environmental risks have a profound impact on global development over the next decade. To avoid the dilemma and turmoil, world leaders should work together and take actions [5] (World Economic Forum, 2017).

There are three important findings in this survey:

The interrelations between risks still exists. Among the major trends that determine the global development in the
next decade, the increasingly widening income and wealth gap ranked first, and the deepening social polarization ranked third respectively. Similarly, this survey indicates that the most closely related set of risks is the relations between the structurally high unemployment or underemployment and intense social unrest.

The environment is a core risk in the global risk landscape. Climate change is the second major trend. For the first time, the five major environmental risks are simultaneously classified as high-probability and high-impact risks in the survey, of which extreme climate events are considered as the most prominent global risk of all environmental risks.

Social development lags behind technological change. Of the 12 emerging technologies analyzed in the report, experts believe the potential benefits of artificial intelligence and robotics are greatest but they also have potential huge negative effects. Therefore, the most in need of better governance.

The five challenges that the world now faces are economy, society, technology, geopolitics, and environment. In the economic category, rising income and wealth disparity are rated as the most important factors in determining global development over the next 10 years. This illustrates the need for economic growth. However, the swirling populist sentiment shows that if economic growth alone is to be resumed, we may already find it difficult to make up for the social cracks. We must also put the reform of market capitalism on the agenda. On the other hand, economic risks such as fiscal risks, this can quickly become a deadly spiral, with one country fearing that debt default will become a self-fulfilling prophecy.

Next challenge is facing up to the importance of identity and community. People’s attitudes toward gender, sexual orientation, ethnicity, multiculturalism, environmental protection and international cooperation have changed dramatically, leaving many voters feeling abandoned by their own country, especially those older and less educated voter. The resulting cultural divisions are testing social and political cohesion, and if the problem is not resolved, many other risks may be amplified.

Protecting and strengthening the systems of global cooperation. More and more countries are trying to withdraw from various international cooperation mechanisms. The global system is continuing to shift from "outward-oriented" to "inward-looking". This situation will be extremely devastating. Apart from the ongoing migration crisis, the interdependence of many areas together affect the risk pattern, the importance of global cooperation has become increasingly apparent.

Extreme climate events, action failures to mitigate and adapt to climate change, and water crises are always a central feature of the environmental risk landscape and are closely linked to many other risks such as conflicts and migration, urbanization.

Managing technological change is most important to the fourth industrial revolution. How to manage evolving technologies is a complex question: too tight regulation can hinder technological development; but lack of governance can exacerbate the risks and create uncertainties that are not good for potential investors and innovators. Experts pointed out that artificial intelligence and robotics are the most likely to have the negative impact, but also the most need to improve governance. Although these two technologies are likely to promote economic growth and help solve complex challenges, but experts also believe that in 12 technologies, these two technologies are the primary factor for expanding economic, technological and geopolitical risks [5] (World Economic Forum, 2017). China is becoming a hub for global AI development. It has also attracted a large number of talents and capital inflows, and various types of enterprises and applications have blossomed. However, at the same time, the capital also triggered some bubble concerns. As McKinsey study, points out, digitization shifts the total industry revenues of four key sectors (consumer and retail, automotive and mobility, health care, and freight and logistics) from 10% to 45% by 2030, it will impact on value chains and uncertainty about jobs, consumption, and the socio-political context (6) World Economic Forum, 2018).

Facing to the flat world, Friedman argues that the developing countries should take four basic measures. First, providing a good infrastructure. Second, reforming the education system, more citizens participate in innovation and cooperation. Third, government governance, fiscal policy, legal system, official capacities. Fourth, good environment, environmental protection [2] (Friedman, 2006, 403-437).

At present, the western developed capitalist countries occupy a leading position in the process of economic globalization, while the developing countries are weak in economic power, so that individual developing countries simply do not have the ability to compete with the developed countries. In order to obtain a healthy and stable development of their economy in the era of economic globalization, developing countries with the same geographic area or similar status can unite to realize regional economic integration and open up markets to each other so as to achieve greater economic growth and strengthen their ability to trade on a global scale and jointly resist the impact of economic globalization and seek ways out. Developing countries are increasingly aware of the importance of integration, regional economic groupings have established in most countries, fighting back the economic globalization of developed countries.

Developing high-tech industries such as the information industry and accelerating the reform of the domestic economic structure. Some developing countries are vying for economic development and hope that they can take this opportunity to adapt to the tide of economic globalization and catch up with the developed countries in the West.

Strengthening financial supervision and preventing the impact of the financial crisis. In order to prevent the impact of external factors on the domestic financial market, some developing countries learned the lesson of the financial turmoil and took measures to promote macro-control of the financial sector, strengthen and guard against financial risks.

Reforming the domestic political and economic system to enhance international competitiveness. Faced with the
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pressure of economic globalization, developing countries through structural adjustment and institutional innovation, improve and strengthen the mechanism of economic globalization and the conditions for participating in new technology competition. The government took the lead in promoting reforms, establishing and perfecting an open system, identifying the goals, steps and guidelines for entering the economic globalization, formulating and perfecting the necessary rule of laws and regulations and creating a favorable market environment so as to effectively draw on external civilizational achievements while reducing risk, especially financial risks, to ensure their own economic security.

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