

GLOBALIZATION, GLOBAL ECONOMIC DYNAMISM & GLOBAL RECESSION INDEX

This is the era of global market economy. Globalization of economic affairs, in this modern global market arena, has rapid increased the exchange of knowledge, trade and capital throughout the world by the advantages of technological innovation.

What is globalization?

"Globalization" is to mean increase in worldwide trade & exchange beyond the domestic and national market to an increasingly open, integrated and boarder less international economy.

The phenomenon of globalization began in a primitive before several hundreds of years since the emergence of trans-national trade and has got momentum only after the WW II when general agreement on Tariffs & Trade as well as World Trade Organization (WTO) came under the framework. During the last couple of decades it has become an international dynamic due to technological advancement.

Globalization has both positive and negative aspects. Globalization has spurred tremendous economic growth and alleviated poverty throughout the world through accelerating international trade diversifying economic, creating employments, increasing income. Globalization has stimulated innovation, promoted quality and reduced the cost of the products and services. The volume of world trade increased 27 folds from \$29 billion in 1950 to \$8 trillion in 2005 and GDP per capita increased from 1.2% to 3.5% in the same time frame (WTO 2007).

On the contrary, due to globalization, world economy has been inter-dependable which is venturesome for world economy resulting global depression.

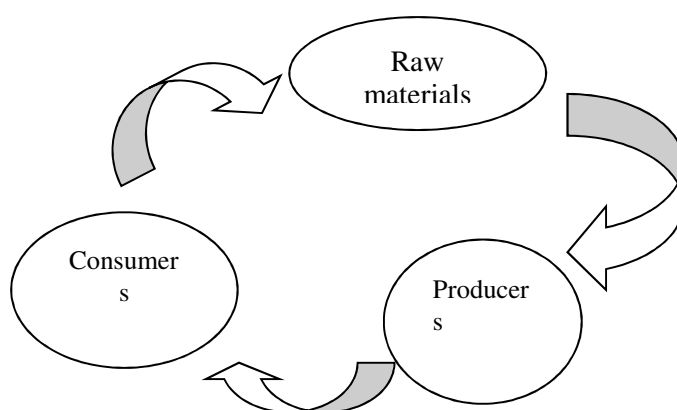


Fig. 1. World economic structure

The collapse of any segment of the circle is the cause of the collapse of the entire structure. This structure can be compared with the human body. If pain is commenced in any part of human body whole body suffer from.

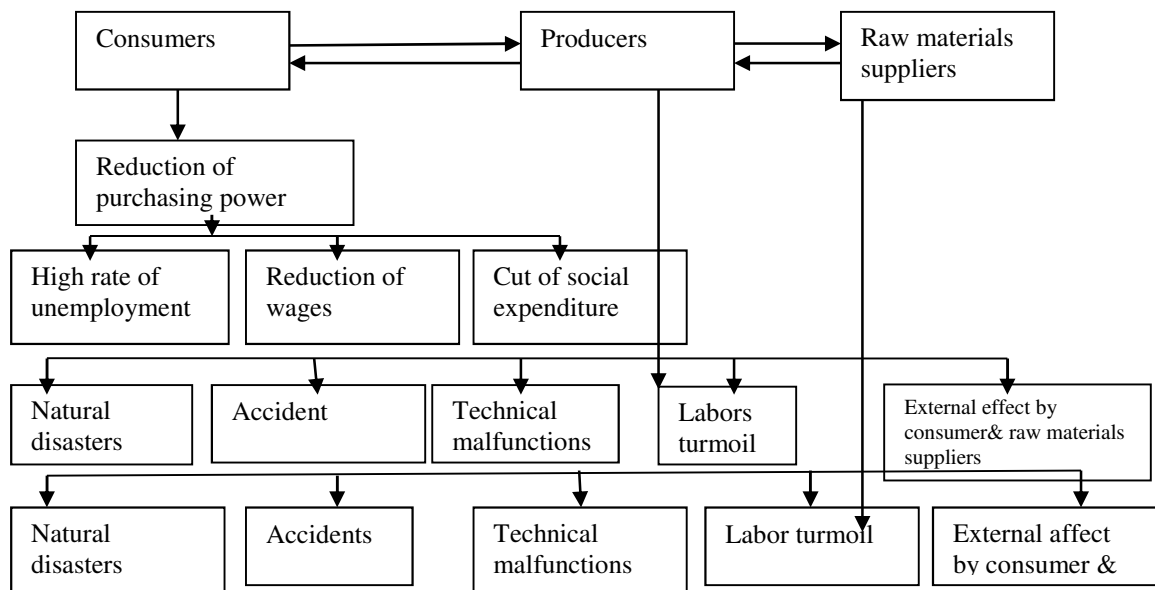


Fig. 2. Causes of collapse of structure

Very many functions are involved in every segment. Raw materials suppliers involves the functions, are yielding or lifting, marketing, exporting, importing, transporting, taxing etc. Much more functions are involved in production segment including importing, producing, processing, packaging, advertising, marketing, exporting, transporting, taxing etc. And consumers segment involves importing, assembling, processing, packaging, advertising, distributing, marketing, taxing etc.

If any segment of the structure is affected by internal or external cause it first affect its internal functions then its counterparts. More specially, when consumer part is affected it first affects its internal functions then its counterpart production part.

In last 10 years world has faced two global recessions. The global economic recession in 2007-08 that is the worst the world has seen since great depression of the 1930 and current on going global recession since 2011.

The malfunction of the structure weakens demands, lower price of the exporters, high volatility price and lower revenue; downturn the international business, cut employments and taxes resulting global recession.

Globalization of market has accelerated the producers' competition. To run the race producer from the developed countries are transferring to the cheap labor force, raw materials or potential markets to minimize the cost. Thus, developing countries are losing the employments and purchasing capacity affecting the global economy.

As globalization accelerates the trade among the countries more regularly and effectively, countries stopping producing the things they can import more cheaply and being concentrated to produce the things they can produce well. Individual countries are losing their abilities to produce certain goods completely, relying on other countries exclusive to meet the demand. Thus, the countries of this group are losing creativity, employments & economic growth causing global depression.

Potential ways to subdue the circumstances.

For stability inter-dependability of the world economy has to be lessened through increasing productivity. Productivity creates employments that increase purchasing capacity which create potential market & accelerate competition which

stimulate innovation. Raw materials export based economic countries have to increase their domestic use through introducing regional raw materials based production industries and infrastructural development. Together with imported raw materials producers based economic countries have to be more concentrated to use regional raw materials effectively. Consumer countries have to go to the production more frequently and more regularly. Developed countries have to switch in knowledge based economy.

For desired consequences governments have to take effective and efficient measures to create talented human capital through proper education, training programs, R&D and entrepreneurial activities.

References:

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Publication