

# The Economic Challenges of Globalization

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## **Abstract**

*The objectives of this paper is to examine the challenges of economic position of society. International competitive pressure from globalization forces the individual countries and regional blocs to make more innovative and long term decisions. The result of these efforts are can be viewed as an important step for maintaining the global challenges.*

**Key Words:** Economic, FDI, Poverty, Globalization, Allocation of the economic resources, Immigration, Conflict Resolution, Developed Countries, Industrialized Countries, economic developments, Social integration; Socio-economic change, history

## **Preamble**

This Project examines the economic and social problems of society from a macro and pluralistic point of view. The main objective of this project is to contribute an effort to the problem-solving capability of society, in order to maintain the globalizing world's economic and social challenges. There is a common conviction that globalization forces all people into the same culture and into the same line of thinking.

In economic and sociological issues there is not just one answer and no just a single way out for the solution of any problem. Due to the fact that there are various challenges in society and each of them has a different dimension, each of them also needs a different handling process to ride them out. Seeing that, this project deals with challenges of society with a combined standpoint.

It addresses everyone as well as being an appeal to each of us to be a part of the solution. It is well known, that the unfairness in economic and political deals as well as economic and socio-cultural repression of some cultures are remained as a part of globalisation.

When a problem is recognized correctly, and then it can be solved in a simple way. But if this simple solution is not recognized, then a simple problem could thus trigger even huge waves. In individuals and societies, there are simple problems that have been converted to waves because of chronic mistreatments. This case is also continuing in the era of globalization. This era called the age of economic, technologic and social revolutions. Nevertheless there is a significant part of society, which lives far behind these progresses of modern time.

## **The globalization and the problem of allocation of the economic resources and social advantages**

In history, states ruled over their region and their area of influence by means of powerful armies. In the modern-globalizing era, they rule by using the support of technology, science, trade, etc. as interactive elements of government.

These elements can be realized only through international cooperation, democracy, and respect for human rights. Religious and cultural differences are less effective than in earlier conflicts. The major causes of conflicts today are lack of cooperation and making resources and focusing on the deficits in civilized values. This situation applies to all countries who wish to have a peacefully role on the world stage.

In the modern world of globalization, we speak of a “global village”, but there always remain some regional fix points and they are variable and changeable. Therefore we do not know exactly what role we have in the future as a society in a globalized world.

The globalized world is like a small village: On the one hand, everyone knows what happens in the village, but in other hand, other social differences remain in the same sizes. Therefore in the future some components will always remain in the same form; poor, rich, good, evil, war and peace etc.

Today, prosperity of population in Western societies shows an increasing drift. But no one can guarantee that they will remain so forever in the future. The statistics and existing conflicts show that many problems in the world will always remain. Humanity will be able to realize their dreams of space only in part. And yet, many things will remain as in the Stone Age.

The above mentioned argument also holds true for science and other disciplines.

Despite developments in the history of science there are always traces of the past which will continue in the scientific level. One cannot completely separate the past, present and future on the scientific level. In fact, modern science has vastly expanded our knowledge and skills. Despite these developments in science, there are many undisclosed points that must be further processed

The question arose:

Could globalization be compatible with wealth-sharing and freedom?

The globalization has a long history. In our time, this concept has become increasingly important because globalization has become a continuously increasing process. The allocation of wealth and the limits of freedom here and there have been questioned.

One has to ask: By whom and how are borders drawn?"

Moreover the globalization will not automatically bring us prosperity and freedom. But it will make many opportunities available to everyone. Whoever has enough power can seize these opportunities. Whoever has no power will always remain just a spectator.

The tangible and dynamic globalization process had begun with the French Revolution and the Industrial Revolution developed it further.

The French Revolution was based particularly on the globalization of the freedom of thought. The Industrial Revolution was indeed a result of the French Revolution, but it was basically the beginning of the globalization of capital.

The globalization has three pillars:

These are the social, cultural and economic globalization. The three pillar-Globalization is therefore inevitable.

The question is:

How can it work justly work everywhere?

The ideal solution would be a compromise based on the concepts of freedom, equality and fraternity.

The French Revolution called for freedom, equality and fraternity for the whole world. But the Industrial Revolution called for industrial globalization. In modern times, however, there is limitless globalization. The solution would be if these three phases (French Revolution, Industrial Revolution and today's revolution of globalization) would be boundless and could contribute equally to create a common compromise. Then we could speak of a just and beneficial globalization for all.

### **Globalization and Characteristics of Social Changes**

Micro level interpersonal communication between individuals leads to macro level cooperation, which can be described as a motivated factor to globalization. Globalization is acting like Adam Smith's "invisible Hand". It means, this invisible hand leads people to act globally.

In other words, the globalization is a result of this obligatorily relationship chain, which bases on the limitless wants and needs of human beings, which have to deal with scarce resources.

Moreover, man as a social being, has the need to cooperate with each other. This phase has a history of cooperation: When our forefathers acknowledged that, they couldn't solve their problems without having to cooperate with one another, they tried to get in touch with each other.

However, in this day and age, technology, technical progress is achieved on an epochal and exceptional level. We can all quickly and visually communicate online in seconds. We can fly from one place to another within a short amount of time. People even fly to the moon and are able to access many other planets in the universe.

In contrast, social confrontations are still extremely vulnerable and problematic. This means developments in social consciousness are lagging far behind the technological advances.

### **Globalizing of What?**

We should ask ourselves:

Why is violence in some countries always on the agenda?

How can we exclude these misty, anti-democratic and violating incidents in the globalizing world?

We should especially make clear one thing; the existence of a state is beneficial. There should be a proper, decent order. But this should only serve the citizens and people, not vice versa. On the one hand the question of how can we exclude these misty, anti-democratic and violating incidents in the globalizing world is very complicated; on the other hand, it is simple. The solution lies once again in the acceptance of common human values. These values are: peace, respect, solidarity, tolerance and cooperation.

In the history of civilization of mankind there have always been contradictory regimes, systems and ideologies that have ignored these values. Such regimes and ideologies will appear in the future again and again, for a while and perhaps lead to its questionable authority.

### **Globalizing and Immigration**

What is happening on our planet is not only a geographical but also a social earthquake. On the one hand the earthquake shakes us by a confluence of the earth's tectonic plates, on the other there is a clash of societies through the collision of civilizations.

Earthquakes and other natural disasters are less destructive than man-made disasters. After natural disasters, people return to their homelands. But in the face of wars and other human methods of repression, millions of people leave their homelands for good in order to survive.

It is dramatic that many unpleasant surprises are waiting for these people in their new home. Primarily, the political and legal situation is difficult, in some countries, additional differences in mentality, make it all the more difficult for the immigrants to integrate into their new homeland. As a consequence of these barriers foreigners in general show two reactions: Either they withdraw into the circle of their countrymen, or they try to assimilate completely.

Both of these involuntary reactions are unhealthy, and build on an unhealthy and problematic society. Basically, immigrants are willing to integrate -. They emigrated because their life situations in their countries of origin were not satisfactory in any way.

They are either a minority in their country, where it's likely they were ridiculed and persecuted, or the economic and political situation has shown them no hope.

When we deal with this situation, we see that many people want to emigrate from many developing countries and conflict zones. The target countries do not appreciate or accept these unexpected guests, because they fear them as a threat to their high living standards.

Actually, these people do not want to leave their homes because no one voluntarily emigrates. An oriental proverb says: "A bird prefers Freedom in the Homeland rather over being locked in a gilded cage." If migrants had a reasonable standard of living in their home country, they would of course remain there.

Reasons for leaving the homeland:

1. Anxiety about the future
  - Social-economic: unemployment, instability, etc...
  - Social-political, religious and ethnic unrest, etc...
2. New Standards of Living
  - Careers, Study
  - Individual problems and personal experiences abroad

In various countries, a regional systematic and deliberate evacuation of part of the population takes place. Here, various methods are used in order to achieve these goals:

1. Active evacuation techniques;
  - Systematic policy and economic exploitation of the population of the area
2. Passive evacuation methods:
  - No infrastructure and investment to these areas
  - Not enough Education
  - Prohibition of cultural festivals and activities
  - No social promotions and development of projects

These evacuation methods take place especially in those developing countries that are stuck in a vicious cycle (poverty, conflict, injustice). Currently, through of millions of people around the world are on the move as refugees as a result of these suppression methods and problems.

This tragic situation has been going on since the beginning of mankind. In antiquity, most people fled from villages into the mountains, because they could feel safer there. But today is the era of technology and of the space age. Therefore, not only security but also the possibilities of survival are better in cities than in rural areas.

The immigrants usually come from underdeveloped countries to developed countries. Most of them have experienced similar situations. They must somehow find their destiny elsewhere. They have no more chances to survive in their own country.

Their children, their families and countrymen starve or are shot before their eyes. They do not want to be the next one.

When, the survival capabilities in their country of origin are threatened by many dangers and disadvantages, the people concerned must naturally leave the area or fight for an improvement, otherwise they are lost. This idea is an important reason why people want to emigrate.

The ancestors of all of us have experienced the same situation at some point in the past.

Perhaps we or our children will have to look for, our fate elsewhere in the future, and will probably face the same 'emigration Trauma'. Therefore, one should view immigration issues with humanistic understanding.

In addition, there are other reasons to show understanding. The main one is that without the economic and social contributions of immigrants, the developed countries cannot maintain their current prosperity and quality of life. Moreover, no country and no man can solve problems without the cooperation with others. In other words, we on this planet earth are all in different ways interdependent to each other.

Moreover, no country, no nation and no one, not even the laws that have the right to oppress others and to violate human rights. The world and human rights concern us all. We all live under the same sky and we therefore bear all the responsibility. People are adaptable. They can in some way find a place for themselves to survive. If you can find somewhere with a roof over your head, one can live well there, because the world with all its beauty is, despite its infinite tragedies home to us all.

Significantly, a significant amount of children from third world have no idea of what kindergarten is and they have no relation to school and, most important, they are analphabetic and probably they and most other children will stay illiterate.

These people have a very positive and dynamic energy. A fair and peaceful life, which based on economic-equal chances, cultural respect and tolerance, would make active this dynamic and energetic potential for benefit of all of us.

### **The Main Reasons of Conflicts in the Globalizing World**

We should not consider at all conflicts with religious, ethnic or cultural backgrounds. In other words, we should not radicalize the social conflicts. Otherwise we give radical groups the opportunity to spreading out their violating thoughts.

In this planet not every generations of a nation will forever remain as a domestic inhabitant as dominate factor over minorities, as well as no one will forever live as a foreigner, furthermore no culture can be forever repressed. The only solution to overcome conflicts is compromise. Maintaining of conflicts needs long-rung support and opportunities.

In society there are always some conflicts, which have different backgrounds. The animals and humans have many common features. Both species do not want voluntarily share their territory with their own kind. This conflict of interest is a major cause of clashes.

### **Globalization and Economic Developments**

Principally, developing countries are suffering under deficit of many significant lacks. The economies of poor countries face many challenges to integrate themselves into the global economy system.

The most problematic area is weak economic and political infrastructure and meager capital for improving them.

They have a weak and unstable economy. These countries have always a chronic unemployment rate. Developing Countries require long term economic changes to survive against currently increased globalisation and liberalisation.

For that reason they need more economic growth, considerable inward and outward FDI flows, a competitive economic structure as well technology, more employment and tangible measures against economic and political instabilities and deficits.

Geographical distance and transport possibilities have considerable impact on trade movements between countries and regions. This situation is especially true for developing countries because they technically as well as institutionally do not have enough possibilities to export as well as import to/from every country where it would be most profitable. On the other hand, Industry countries have more potential as import and export partners for their neighbours as well with rest of world. For these reasons, trade condition of developing countries should be improved. The economies of developing countries mainly depend on agriculture. Generally speaking, these countries are integrated into the world economy in a way that does not fully reap the benefits of globalization. Exports are concentrated in a few labor- intensive sectors and are insufficiently adapted to international demand. Trade between the developing countries and developed countries represents an international division of labor typical of countries with widely different income levels. Developing countries' exports to the industry countries concentrate in primary products and consumption goods, while most imports are intermediate, mixed and equipment goods. Developing countries have underdevelopment problems. These countries have partially similar economic crises. Their economy is based fundamentally on agriculture; they try to industrialize their economy and to stabilize it. Developing countries must build up themselves as a strong entity and gain knowledge of to cooperate in order to be able to familiarize themselves with the industry countries as a strong partner and therefore be enabling to work together. Then it can be spoken of good cooperation, and both sides can benefit from it economic as well as politically.

Moreover, the advantages of three main inputs of production such as land, capital and labor have significant priority on the location decision of the foreign direct investments (FDI).

In case an economic crisis or a political disability, firms want to change their location in order to overcome the consequences of such difficulties and probable losses of profits.

However, the capability to change the location of a firm is depends on the country's international position. When the firms are not able to change their location the bankruptcy will occurs. We can observe this case in the companies of developing and third world countries.

European Union brought freedom to the people and factors of production (goods, services, free movement of capital and labor). This situation EU offers commercial privileges to EU origin firms.

For instance in case of an economic crisis in the EU, the number of bankruptcy of firms will remain significantly lower than the bankruptcy of companies among the third world firms. The most important reason is, that EU origin firms have the legal privileges to change their location from one country to another. At least they have chance to move barrier-free from any of the EU member country, whenever they need. Additionally due to many multinational agreements with other countries EU firms are able to extend their location to other countries with less a bureaucratic and legal obstacles.

**Table: Employment in the most Important Multinational Firms**

| Firm Name          | Origin      | Branch         | Employee                |         |
|--------------------|-------------|----------------|-------------------------|---------|
|                    |             |                | Foreigners <sup>1</sup> | Total   |
| General Electric   | USA         | Electronic     | 130.000                 | 293.000 |
| General Motors     | USA         | Motor Vehicle  | -                       | 396.000 |
| Royal Dutch/ Shell | Holland/ UK | Petroleum      | 61.000                  | 102.000 |
| Ford Motor         | USA         | Motor Vehicle  | 171.276                 | 435.175 |
| Exxon              | USA         | Computer       | -                       | 179.000 |
| Toyota             | Japan       | Petroleum      | 113.216                 | 183.879 |
| IBM                | USA         | Motor Vehicle  | 149.934                 | 291.067 |
| BP AMOCO           | UK          | Foods          | 78.950                  | 98.900  |
| Daimler Chrysler   | Germany     | Motor Vehicle  | 208.502                 | 441.502 |
| Nestle SA          | Switzerland | Foods          | 225.665                 | 231.881 |
| Volkswagen         | Germany     | Motor Vehicle  | 142.481                 | 297.916 |
| Unilever           | Holland/ UK | Foods          | 240.845                 | 265.103 |
| Suez Lyonnaise DE  | France      | Mix            | 126.500                 | 201.000 |
| Wal-Mart Stores    | USA         | Export Import  | -                       | 910.000 |
| ABB                | Switzerland | Electronic Eq. | 154.263                 | 162.793 |
| Mobil Corp.        | USA         | Petroleum      | 22.100                  | 41.500  |
| Diageo Plc.        | UK          | Drinks         | 65.393                  | 77.029  |
| Honda Motor        | Japan       | Motor Vehicle  | -                       | 112.200 |
| Siemens AG         | Germany     | Electronics    | 222.000                 | 416.000 |
| Sony Corp.         | Japan       | Electronics    | 102.468                 | 173.000 |
| Renault SA         | France      | Motor Vehicle  | 92.854                  | 138.321 |
| News Corp.         | Australia   | Media- Press   | -                       | 50.000  |
| BMW AG             | Germany     | Motor Vehicle  | 53.107                  | 119.913 |
| Mitsubishi Corp    | Japan       | Motor Vehicle  | 3.668                   | 11.650  |
| Nissan Motor       | Japan       | Motor Vehicle  | -                       | 131.260 |

Source: SeyidogluHalil., Uluslararasıİktisat, Theory, PolitikaveUygulama (International Trade Policy), Istanbul 2003, p.733, UNCTAD, World Investment Report 2000.

As indicated in Table, the most important source of FDIs are multinational companies. Almost all of these companies have their headquarters in developed countries.

The investment choices of multinational companies are influenced by the economic policy and political decisions of their home countries.

The economic and political situation and governmental decisions of target countries are crucial in order to attract FDIs. Here, especially tax rates, legal and political conditions dominate decisions.

However the headquarters of these multinational companies almost always remain in the respective country of origin. Consequently, capital, Know-how and sustainable investments reside in the country of origin. They invest in developing countries mostly for secondary production and supplement markets and build flexible structural production facilities which they can quickly move in case of political or economic crises.

<sup>1</sup>Foreigncitizensemployed in firmsinvestingabroad

This means they do not permanently transfer their Know-how, capital and qualified personal to the host country. In fact, they can move out of their host county at any time. Therefore it is not a sign of sustainable investment in developing countries. Finally, the target country will be just a temporary location for FDI's from developed countries.

The most important point is that the establishment of economic and political stability in developing countries can extend the positive effects of FDI's. Furthermore local companies can benefit from the Know-how and capital accumulation of foreign companies. For example, new technology and economic mobility, model for local companies etc. can be considered to be such long-term benefits. Principally, developing countries suffer from economic deficits in many significant fields, which can be partly or even completely eliminated by the capital and Know-how transfer through FDI's. That's why developing countries should undertake more tangible measures to attract FDI's in their country.

### **Poor and Rich Countries**

In comparison to poor countries, the Industrial countries lead a better integrated structural combination. They lead in four liberties (free movement of goods and services, capital and workers. They have many advantage and improvements and they have more than one target. They target many strategic economic and political goals at the same time. These relations to poor countries are designed by their economic and political priorities. These priorities effect their relations with these countries. At the same time, they lead with the best organized international institutes as well better coordination of their monetary and financial units. They manage world economy through multinational companies. Multinational companies apply the latest modern technology and production methods. That's why they need mostly qualified labour from their own country and does an important part of the fabrication by using modern machines. In this sense FDI in developing countries mostly applies to a marginal quantity of the local labour force. Nevertheless a fair collaboration can mutually increase the level of neighborhood. In addition, the globalization process has changed the meaning and rules of the sense of the neighborhood as well as poor- rich country.

Developing countries suffer under long-term underdevelopment problems. To eliminate these infrastructure and economic weaknesses, they need external supports. Many developing countries have ex- colonial roots with some industrialized countries. This ex- colonial history affects not only on these countries themselves, but also ex- ruler countries, for example with regard to immigration. All industrialized countries have global goals to be a strong economic and political partner in the world. To reach this target, they need to cooperate with their neighbors as well rest of world. Therefore they support in some measure the economic and politic infrastructure of developing countries. Here regulation of immigration takes a special meaning. For that reason to maintain internal and external stability in their countries they are against migration and they try secure the borders. To reach these targets, they try to form these countries according their rules and policy. Using radical words like; „illegal immigrants”, “fighting against illegal immigrants”, and “human smuggling” is unfair. These people are not pirate, who one must fight against them. They are just a normal course of "self-reorganization as well balancing of the world population." Than each of us was anyhow immigrant and maybe in future will immigrate to a different place. Moreover using of these words encourages already stationed population (domestic), to more discriminate “new comer- people” (foreigner).

### **Conclusion and Suggestions**

If the integration of immigrants could be sponsored, they can make their contribution to society better. Immigrants without social capital, and equality cannot achieve their true potential for themselves and for society.



The reason, why we try to bring more attention to such themes, is that, in the globalizing world, we as human beings have capability to eliminate any kind of slavery. Isolation and unjustness should not remain forever and such primeval acts are not a part of our fate.

We can further develop ourselves to have enough evidence and justification as to why we are called human beings.

The abolishment of legal slavery with the courage of our forefathers and their other improvements of society can be and should be developed further by our generation, so we are able to bequeath something better to future generation. Men, with healthy minds and visions can maintain this challenge.

Solutions for the Global Challenges

- Reduction of poverty
- Supporting of economic and political stability of countries ,
- Not only investing in the technology and material infrastructure, but also in the social areas, such as adaptation programs for elimination of deficits between wealth and technological progresses and human values
- Global fighting against child labor, human trafficking, online crimes, and global terror organizations.
- Financing the independent efforts of suppressed nations and global protecting for the minorities and disadvantaged people.
- Reducing pre judges and discrimination by the use of local and international campaigns and programs as well as via the institutional as well as structural measurements.
- Abolishing the discriminating obstacles for population of less developed countries, such as uncompromising visa conditions and one-sided trade quotas etc.

Modern science has vastly expanded our knowledge and expertise. Scientists have developed methods and theories about how the world functions. Despite these developments in science there are many hidden issues that need to be further processed or discovered. The epistemology and the philosophy of science have taken over the task of resolving mysteries and to maintaining the challenges of universe.

The universe is limitless; therefore our imagination is more important than our current situation. New visions encourage humankind to make more progress and invest in innovation. Following that, we should not limit our future plans just with some dogmatic beliefs or rules. That's why every single one of us should have respect of his forebears, and same time should be a reformer.

Finally, it would be fair to say, that each of us has the same rights to survive on this planet. Every person has hopes, dreams, memories, tasks and responsibilities towards each other. We should allow everyone and give each person a chance, to be able for realizing a piece of their hopes.

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