

Globalization and Factor Mobility

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Abstract A large number of works have been done about globalization via factor mobility and its various effects on the global world economy. This paper aims at discussing the most important aspects of globalization and factor mobility, and its major impact on the World at large. In the first section of this report, the concepts of globalization and factor mobility are identified, while in the second section forces causing the accelerated growth of globalization are discussed. Then, the author thoroughly identified and discussed the advantages and disadvantages of globalization, and the main challenges facing the idea. The remainder of the report discusses factor mobility in four folds, i.e. forms of factor mobility, why factor of production move, the effect of their movement in the world, and finally, the relationship between factor mobility and global trade. The report concludes with the author's recommendations and suggestions on how to counter the challenges of globalization while maintaining individual nation's ability to reap all its magnificent benefits. Upon completion of reading this report, readers are expected to have a deeper and better understanding of the concept of globalization as related to factor mobility.

Keywords: Globalization, Factor Mobility, Capital, Labour, Raw material, Technology and Trade

Introduction

Globalization: "Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas"-Jack Welch

The Term Globalization is so powerful such that it's difficult to create a compact definition of it. It may be defined from different perspectives and in several ways. One can say Globalization refers to the combination of Economics and Societies all over the world. It connects technological, economic, political, and cultural exchanges made possible by the progress in transportation, infrastructure, and communication. An alternative definition would be increasing linkages between the world, including the international spread of cultures as well as diseases and crimes, while natural and artificial barriers between nations fall. Finally, the most well-known definition is referring to Globalization as the shrinking of the world into a global village, as borders disappear, distance decreases, and time shorten. Globalization is displayed in the growth of world trade as a share of output, the percentage of world imports to gross world product GWP increased from 7% in 1938 to 10% in 1970 and to more than 18% in 1996. This is reflected in the surge of foreign direct investment (FDI): FDI in developing countries rose from \$2.2 billion in 1970 to \$154 billion in 1997. It has also accrued in national capital markets becoming integrated.

The source of Globalization lies in the development of technology. The cost of Transportation, communication, and travel has fallen dramatically in the last period, almost roughly because of the advancement of technology. Here are some facts: Average revenue per passenger mile fell by more than 80% between 1930 and 1990, from \$0.68 to \$0.11. In 1947, average tariffs on manufactures imports were 47%, but by 1980 they went down to 6%. A three minute call from the USA to Britain cost \$12, whereas today it costs .48 cents. Globalization refers to the integration of economics and societies all over the world. There are two kinds of Integration, Negative and Positive. Positive Integration concentrates on standardizing international economic laws and guidelines. For Example, A country with its own set of Policies on tariffs with a country which has its own policies on taxation find ways of trading together. With Positive Integration, and the expansion of globalization, these countries work to have related or even equivalent policies on tariffs. Negative Integration is the elimination of trade barriers or defensive barriers as quotas and tariffs. The removal of barriers can benefit a country if such removal is for products that are necessary for the economy. For Example, by breakingdown barriers, the total cost of imported raw material will decrease as the supply

goes up, making it cheaper to produce the final product for export (Car parts, clothes etc.). On the other hand, the total cost of importation will also decrease

Factor Mobility: Factor Mobility can be defined as the movement of factors of production like Natural resources, Labor, Technology, and capital from their original domain to be put to a productive use in other locations. There are many effects of Factor Mobility on the Host and Home Countries, Positive as well as negative. Factor mobility rose as globalization expanded over the years.

Methodology

In this research, the author identified the concept of globalization and its challenges, the advantages and disadvantages of globalization on societies as a whole and in sub groups. The challenges in achieving global integration and perfect globalization are also discussed along with solutions to identified obstacles. In this research, I reviewed several literatures in collecting data, and in subsequent analysis of issues relating to the concept of globalization, its history and evolution throughout the years. In addition, the opinions of entrepreneurs, other Scholars and experts in the field of globalization were sought, collected and analysed to reveal both; the bright and the dark side of the phenomenon of global integration. Consequently; solutions were suggested and recommendations made about how to remove some of the obstacles that could occur in the process of true Globalization.

The Forces Driving Globalization

Measuring globalization could be a problematic issue, especially, in making historical comparisons. First, countries interdependency must be measured indirectly. Second, when national boundaries shift (for example: the breakup of the former Soviet Union or the reunification of East and West Germany), some hitherto domestic business transactions can then become international transaction and vice versa. In addition, various reliable indicators assure that globalization has been increasing in the recent years, at least since the mid-twentieth century. Currently, about 25% of the world production is sold outside their respective countries of origin, as opposed to about 7% in 1950. Restrictions on imports have generally been decreasing, and output from foreign-owned investments as a percentage of world production has been increasing. In almost every year since World War II, world trade has grown more rapidly than world production. However, in recessionary periods such as 2008, global trade and investment contract even more. However, globalization is less pervasive than anyone might believe. Most of the world (including rural Africa, Asia, and Latin America to name a few), lack the resources to establish more than the barest connection with anyone beyond the outskirts of their isolated domains. Only few countries are able to either sell over half their products abroad or depend on foreign output for over half their consumption. That means that most of the world's goods and services are still sold in their domestic markets and not in international markets. These measurements address only the economic aspects of global interdependence. Various studies have relied on different indicators for comparison. One of the most comprehensive is the A.T. Kearney- Foreign Policy Globalization Index, Which shows not only that some countries are more globalized than others but also that a given country may be highly globalized on one dimension and not on another. This index ranks 72 countries across four dimensions:

- 1- Economic - International trade and investment.
- 2- Technological – Internet connectivity.
- 3- Personal contact – International travel and tourism, international telephone traffic, and personal transfers of funds internationally.
- 4- Political- Participation in international organizations and government monetary transfers.

In the recent years, the index has ranked Singapore and Hong Kong as the most globalized countries and India and Iran as the least globalized. The ranking of the United States shows how globalization can differ by dimension: The United States ranks first on the technological scale but only 71st on the economic scale.

Factors in Increased Globalization

Many Companies go international to be able to increase the value of their business, as well as the value of their profit. Therefore; it became imperative for companies to build a long term, sustainable business. There are many factors that companies need to develop to be able to survive in the global market, E.g. The following are a number of factors that have contributed to the increase in growth globalization in recent decades:

- 1- Increase in and expansion of technology.
- 2- Liberalization of cross-border trade and resource movements.
- 3- Development of services that support international business.
- 4- Growing consumer pressures. (both local & international)
- 5- Increased global competition.
- 6- Changing political situation and climate.
- 7- Expanded cross-national cooperation

There are a number of other factors that make rapid international expansion a necessity, rather than an option to be reviewed when the time is right. Those factors include the following:

Market transparency

In the good old days, 8-10 years ago, software companies could develop a product, market it at home, and then quietly start to sell their technology in overseas markets, often going after one market at a time. With the Internet, however, a product or a business concept is there for everyone to see, as a result, competitors in overseas markets are able to replicate the product or service. There have been many cases of U.S. companies going to Europe, only to find that their business model, their name and even their Website have been replicated.

Emerging markets

While the U.S. is still the dominant force in technology development, we today see a lot of innovation from new markets such as Sweden, Israel, South Africa, India, Singapore and China. Quite often, the levels of innovation displayed are impressive, this implies that the U.S. companies will be facing new competitors not from other advanced countries, but from the emerging ones and targeting the same markets. This will increase the competition for clients and channels of distribution, all the benefit of the average consumer World Wide.

Geographic diversity

There are three major trading blocks in the world economy: North America, Europe and Asia-Pacific. These major trading blocks, don't move up and down in the same time as they are the most affected ones in the market, so a company can make itself less vulnerable according to the demand in one region by having a diverse source of revenues. This emerged after the Internet bubble and the technology of telecom. The European market, while slowing down, was not hit as hard as the U.S. market, so companies with significant operations in Europe were able to partially offset the slower sales at home.

Globalization Advantages

Globalization has had significant impacts on all economies of the world. It affects their production of goods and services; it also affects the employment of labour and other inputs into the production process. Globalization also affects investment in all its forms; it affects technology and its transition from developed countries to developing and under-developed Ones. It has great effects on productivity, efficiency, and competitiveness in both local and international markets. Globalization has many positive, innovative and dynamic effects, which have led the world to produce great economies, great income, and good employment opportunities. Some examples of these good benefits are listed below:

1. Increased Competition:

One of the most positive and visible effects of globalization is the improved quality of goods and services due to global competition. As domestic companies have to fight out foreign competition, they are forced to raise their standards and levels of concern about customer satisfaction issues, in order to survive in the global market. This on-going fight creates competition in the market and a situation where the best and the fittest only can survive.

2. Employment:

Employment is one of the positive and negative effects of globalization, depending on the point of view of each nation. Globalization has given a lot of opportunities to invest in developing, under-developed, and emerging markets, and also brought out hidden talents and skills which are available globally. On the negative side, developed countries have lost jobs due to the movement of jobs and investment opportunities to developing countries, thus it is a pinch felt by developed countries and people of the "first world" too. The impact of globalization has affected the employment of women as well, as greater trade openness has increased women's share of paid employment, as well as multinationals companies having to employ more and more female workers around the world, especially in Asia and in Africa.

3. Investment and Capital Flows:

One of the most visible effects of globalization is the flow of foreign trade and capital. India has been one of the most developing countries with more cash and investment flow than other countries. Indian companies which have been performing well, both in India and offshore, have attracted a lot of foreign investment, thus pushing up the reserve of foreign exchange available to India.

Trade flow also increased 12-fold in the past fifty years as a result of the removal of natural and artificial barriers. Exports are now US \$7 trillion a year, with more than a fifth of the world's goods and services being traded. Capital flows expanded even faster, with Foreign Direct Investment amounting to US\$400 billion in 1997, seven times its real level in the 1970's and portfolio and other short-term capital flows amounted to US \$2 trillion in gross terms, three times what they were in the '80's. These in turn pave way for what has happened in the foreign exchange markets, where volumes increased over a hundred times between the mid-70's and the mid-90's, with a US \$1.5 trillion daily turnover in 1998. At the same time, international bank lending grew more than sixteen times, from US \$265 million in 1973 to US \$4.2 trillion in 1994.

4. Foreign Trade:

While trade originated in the times of early kingdoms, it has been developed and institutionalized due to globalization. People had to involve in wars and destroy other nations in order to get what they want, but today, it is done in a more human and civilized way through fair trade, Mutual Corporation, trade block agreements and multilateral organizations. A Nation which practice unfair trade or operate in an uncivilized way has to face the WTO and other world organizations that have been established to regulate and control international trade activities, and to draw proper consequences to unfair trade practices among and between countries and nations.

5. Spread of Technical Know-How

Without globalization, the knowledge of new inventions and technical know-how would remain kept in the developed and rich countries which invented them, and the rest of the world would not benefit. But due to

globalization and the essential role of WTO, there is flow of information all over the world. The spread of technological know-how was also expanded to include political and economic knowledge; which too has spread far and wide.

6. Cultural Integration:

The world as we know it today is the result of several cultures coming together. Societies have become larger as they welcomed people from other backgrounds and civilizations to create a whole new culture of their own. The world has become a small village, and traditions, customs, diets, and different languages have spread all over the world due to globalization.

7. Spread of Education:

The spread of education is one of the most positive and powerful effects of globalization, especially on women all over the world. Today, a person living in Saudi Arabia can go to another continent for new experiences and educational purposes which one might not find in the home country, and return with great amount of experience and knowledge to spread in their home country. The impact of education on women is even greater, for it made women around the world to gain opportunities for jobs and have better chances to secure their rightful share in employment opportunities.

8. Legal and Ethical Effects

Due to globalization, countries and security agencies of the world have developed understanding and commitment amongst themselves to prevent and fight global terrorism and other cross border crimes. It is no longer possible for criminals to hide and seek asylum in a foreign country away from their home Countries, but instead, they will most likely be brought to their home country to face the justice system therein. This is definitely one of the greatest effects of globalization on societies and global security.

9. Foundation of Organizations for Environmental and Social Concerns

Over the years, humans have done great amount of damage to themselves and to the environment around them, through the industrial revolution and wars throughout the years. Nations have decided to come together to find a way to save the world from themselves, by finding organizations monitoring climate change and global warming, as well as those which look after the welfare of animals and marine life all over the world. The ability to protect the environment and the world has been one of the most positive effects of globalization and the overall welfare of the world.

Those were some of the positive and bright side of globalization and its effects on nations and human beings around the world. Other benefits from globalization include the gains from trade in which both parties gain in a mutually beneficial exchanges, where the "parties" can be individuals, firms and other organizations, nations, trading blocs, continents, or other entities. Globalization can also result in increased productivity as a result of the rationalization of production on a global scale and the spread of technology and competitive pressures for continual innovation on a worldwide basis.

Globalization Disadvantages & Challenges

"Accordingly, globalization is not only something that will concern and threaten us in the future, but something that is taking place in the present and to which we must first open our eyes"- [Ulrich Beck](#)

What is the harm if the whole world is coming together on one floor? Why do people even discuss if Globalization is bad for the world? Whereas; the world has benefited from Globalization, there are also negative aspects of it. The bad side of Globalization (disadvantages) centers around the fact that desires differs from one country to another, coming to a general agreement that any issue becomes more difficult when much permission are needed. The difference between the poor and rich countries can be a major difficulty when it comes to globalization. Even though the rich countries will try to help the poor nations to grow, they (the Wealthy Nations) will not give up on their national concerns.

Disadvantages of Globalization

1. Economic Contagion

When the entire world becomes a global Village, any kind of economic interruption in one nation will have a huge impact on several other nations, which are closely related to it in terms of trade and commerce. A disturbance in one Country will result in a chain of multiple disturbances in the other nations.

2. Loss of Cultural Identities

Critics of Globalization say that it will restrict some age-old cultures, which have been religiously practiced all over the world. There are many countries that won't even think to adjust when it comes to religion and culture. The effect of local cultures, habits, and traditions will slowly get compromised, as migration will become easier. This could lead to loss of Cultural Sovereignty for many Nations. For example, when we look at the young people of today in any given country, you will find a great similarity in most of them in terms of the choices of music, appearance and dress codes, Expressions, eating habits and so on. This is as a result of Globalization; there is nothing local anymore.

3. Unemployment

Some people feel that Globalization is promoting Employment, but the fact is that the opposite is happening. Certainly in developed countries where people are losing their jobs because of outsourcing (Cheap and skilled labor overseas). For Example a huge number of companies in Europe and USA have outsourced a lot of their jobs to developing nations (China, India, Mexico etc.) in order to cut cost, and this often resulted in unemployment in the home countries.

4. Human Insecurity (Spread of Diseases)

Crimes and diseases are now more rampant than ever, Globalization leads to many cross border crimes such as: drugs, weapons, woman and children trafficking and also to modern day slavery. The outcome of this includes the spread of sexually communicable disease like HIV/Aids and other social vices. The free movement between the boundaries of each country today has come with surge in cross border crimes and created tension in many hot spots wherein, the population growth are not met with increase in means of livelihood, Improvements in infrastructures, Security and general economic activities

5. Unbalanced distribution of Benefits!

Between Countries, the benefits are not distributed equally. Wealth of developed countries continues to grow twice as much as those of the developing world.

Within Countries, Income inequity is rising in developed and developing countries, which lead to unemployment and low-income security for unskilled labor. For Example, an IT professional in a developed country may get more value for his work than in a developing country.

6. Contagion of corruption

In addition to other cross border crimes, Globalization also allows Corruption or at least contributes to the growth of it in the developing Nations. For Example, a lot of multinational corporations have been caught committing the crime of corruption, which would have attracted severe punitive measures in their home countries. The Case of Halliburton bribing Government officials to secure Multi Million dollars Contract in the Energy sector in Nigeria readily comes to mind.

7. Affects Local Industries (in third World Countries)

When foreign goods enter the local market, and local consumers begin to buy them with excessive preference, it is usually at the expense of the local goods, precisely in loss of sales, and therefore loss of revenue to the local producers in the developing countries. This in turn affects the growth of local industries in the developing Countries, and the collateral effects include unemployment and evaporation in purchasing power and subsequent decline in overall GDP in these Countries

Challenges of Globalization

Globalization faces four dramatic challenges that will have to be addressed by different governments, civil societies, and other policy actors.

1. Guarantee that all the benefits of Globalization extend to all countries. This will not happen automatically without the requisite platform to facilitate it.
2. Deal with the concern that Globalization may lead to instability, which is mainly in the developing countries.
3. Globalization and all its major problems must not be used as an excuse to eliminate searching for new ways to cooperation between the world's countries for their benefits.
4. Face the main fear of Globalisation in the industrial world, i.e. a rise in global competition could lead to a decrease in wages, labour rights, and a decline in the overall economic environment.

Factor – Mobility Theory

Factor mobility refers to the ability to move factors of production – labor, capital or land - out of one production domain to another. On one hand factor mobility may involve the movement of factors between firms within one industry, as when one steel plant closes but sells its production equipment to another steel firm. Factor mobility may involve the movement of factors across industries within a country, as when a worker leaves employment at a textile firm and begins work at an automobile factory. On a broader scope, mobility may involve the movement of factors between countries either within industries or across industries, as when a farm worker in Bangladesh migrates to Saudi Arabia to work in a factory or when a factory is located away from its country of origin.

The standard assumptions in the literature are that factors of production are free and costless in mobility between firms within an industry and between industries within a country, but are immobile between countries. The rationale for the first assumption, that factors are freely mobile within an industry, is perhaps closest to reality. The skills acquired by workers and the productivity of capital are likely to be very similar across firms producing identical or closely substitutable products. Although, there would likely be some transition costs incurred, such as the cost of location (market) search, transportation and other transactions, but it still remains reasonable to assume for simplicity that the transfer of factors is costless.

The assumption that factors are easily movable across industries within a country is probably unrealistic, especially in the short-run. Indeed this assumption has been a standard source of criticism for traditional trade models. In the Ricardian and Heckscher-Ohlin models, factors are assumed to be homogeneous and freely and costless mobile between industries. When changes occur in the economy requiring the expansion of one industry and a contraction of another, it just happens. There are no search, transportation or transaction costs. There is no unemployment of resources. Also, since the factors are assumed to be homogeneous, once transferred to a completely different industry, they immediately become just as productive as the factors that had originally been employed in that industry. Clearly, these conditions cannot be expected to hold in very many realistic situations. For some, this inconsistency is enough to cast doubt on all of the propositions that result from these theories.

The final issue on Factors mobility involves the mobility of factors of production between countries. In most international trade models, factors are assumed to be immobile across borders. Traditionally, most workers remain in their country of national origin due to immigration restrictions while capital controls have in some periods restricted international movements of capital. When international factor mobility is not possible, trade models demonstrate how national gains can arise through trading in goods and services.

Of course, international mobility can and does happen to varying degrees. Workers migrate across borders, sometimes in violation of immigration laws, while capital flows readily across borders in today's markets. The implications of international factor mobility have been addressed in the context of some trade

models. A classic result by Mundell (1957) demonstrates that international factor mobility can act as a substitute for international trade in goods and services.

Why Do Production Factors Move

Capital

Factors mobility concerns the free movement of factors of production, such as labor, capital, raw material and technology across national borders. While the proportions of factor mobility vary widely among countries, pressures exist for the most abundant factors to move to countries with greater scarcity, where they can command a better return on investment.

Companies and private individuals first and foremost transfer capital because of differences in expected returns. They find information on interest rate differences readily available, and they can transfer capital immediately at a low cost. While capital is the most internationally mobile factor, short-term capital is the most mobile of all. Short-term capital is more mobile than long term capital such as direct investment because, there is more likely to be active markets through which investors can quickly buy foreign holdings and sell them if they want to transfer capital back home or to another country.

Investors' perception of risks and where they prefer to invest their capital is mainly affected by various economic and political conditions. Most companies invest long term abroad to enter new foreign markets that are competitive e.g. lower operating costs. Yet businesses i.e. MNE's (Multi National Enterprises) are not the only source of international capital movements. Government's agencies and other related authorities give foreign aid and loans. Also, Non-for-profit organizations such as NGO's donate funds to nations in need, e.g. nations suffering from bad economic and social conditions such as wars. And not to forget Also, Individuals migrant workers who remit funds back to their families and friends in their home Countries. Regardless of the donor or motive, the result affects factor endowments.

People

People are also internationally mobile, although less than capital. On daily bases, people move from one country to another for several reasons including, tourism, education and work. People who travel for the first two reasons i.e. tourism and education do not affect factor endowment of the host nation because they don't work in it. While people who move to another nation for the main purpose of work, do affect factor endowment of the host nation. Unlike capital that is transferred between nations at a low cost, people usually pay high measurable cost to work in another country. If they move legally, they must get immigration papers and pay for transportations; in addition, most countries give these documents scarcely. Cost is not the only obstacle facing people movement; other difficulties may include learning new language, adjusting to new culture and living away from their main support groups i.e. family and friends. Despite all these obstacles, a lot of people take the risk and move to foreign countries primarily out necessity.

In fact, migration was the major engine of globalization during the latter part of the nineteenth and early part of the twentieth centuries, and nowadays; it is important again. About 3% of the world's population - over 200 million people - have immigrated to other countries. This percentage is spread unevenly; therefore it's much greater in some countries than in others.

Of the people who move to other nations, some stays permanently i.e. spend the rest of their lives in the host countries, in other words they become citizens of the host countries, while other move temporarily i.e. with the intention of going back to their home countries later. For instance, multinational companies often assign people to work abroad for a given time of period that could be months or years, after which the employee return to his home country. Plus, some countries allow workers to enter on temporary work permits usually for short periods. For example, about two-thirds of the populations in the United Arab Emirates are

temporary workers. In a nutshell, most people leave their countries with the intention of coming back after saving a certain amount of money in their work abroad expeditions.

Two Key Motives for People Movement:

1- Economic Motives

People, whether professionals or unskilled workers, mostly work in another country for economic reasons. For example, Indonesian labours work in Malaysia because they can make almost ten times as much per day, as they could if at home.

2- Political Motives

People also move for political reasons. For example, because of persecution or dangers of war and other social instability, in which case they are known as refugees and usually become part of the labour pool in their new homelands i.e. where they find refuge (e.g. people fleeing the wars in Iraq, Libya, Yemen, and Syria). Sometimes it's difficult to distinguish between economic and political motives associated with international labour mobility, because poor economic conditions often accompany repressive and or uncertain political conditions. For example, in the early twenty-first century, hundreds of thousands of Colombians left the country, fleeing both a civil war and unemployment.

Technology and Raw Material

Technology and raw materials move across borders due to scarcity. While some countries are rich in raw materials (i.e. oil in Saudi Arabia) and /or technology (e.g. Japan) other countries suffer from shortages in one or both of them. Furthermore; with the presence of globalization today, the world is witnessing an increased relocation of production from the technology rich countries towards low labor cost countries. On one hand, the technology rich countries have a vast pool of advanced technology. On the other hand, the developing markets demand for technology –in terms of know how and hardware- is significantly increasing, these countries rely on exporting the needed production factors (technology and/or raw materials) to cover their shortages. Needless to say, countries exporting these factors will obtain foreign income in return, which would be used in funding budgetary provisions and public policy initiatives. Furthermore, both technology and raw materials are essential in the production process. While technology is a medium or mechanism of production, raw materials are vital inputs in the production process.

The Effects of Factor Mobility

The factor mobility theory of trade factors focuses on the reasons why production factors move (labour, capital, technology, and raw materials), and the effects that such movements have on Globalization and world trade. It is essential to understand why those factors move, how they move, and the effects of their movement on both the home and the host countries, and also their overall effect on global integration.

Labor

A very controversial issue is the effect of labour migration on both home and host countries. On one hand, countries lose productive resources when skilled and educated labour force move to an another country, creating a phenomenon called "Brain Drain"; which means the migration of skilled knowledgeable people to foreign countries. On the other hand, the home country will receive money from people who work abroad; which directly contribute to the increase of GDP and GNP; which always mean better quality of life and greater standards of living. For example, Ecuador lost almost five percent of its population between the years of 1999 and 2001, including 10,000 teachers and many other people with important skills; however, many of

those people are now responsible for the livelihood of many other people at home by sending remittances back to their home country. It is evident that the movement of labour gives great chances to begin new small businesses in the home country. Additionally, these immigrants learn different languages, Technical expertise, management skills and other ideas abroad and transfer them to their home countries. This movement of labour eventually leads to economic growth in both home and host countries, and offers a solution to the unemployment problem in their home countries. As for the host countries, the advantages as well as the disadvantages are many. The advantages include having cheap skilled labour (on the short-run); when labour migrate to a new country, it is rather right to say that they would settle for any salary and any living circumstances. But after gaining experience and better status at work, they will start asking for higher salaries and better standards of work environment. Also, population growth due to migration of labour leads to bigger market size; and great changes in the market demographics to cover all levels of society. No wonder that all of this can generate prosperity in the economy, and even great growth in all aspects of life.

The disadvantages cannot go unnoticeable. The risk of unemployment among the citizens of the home countries always remains a great concern; due to the labour influx to these countries with foreign workers taking jobs from the natives. Also, when population grows, stress on the infra-structure would increase; which could lead to bigger problems in the future for the government of the host countries. True globalization would not be possible if, labour did not move from one country to another, taking different languages, cultures, and traditions from one place to another, and across the world.

Capital

Capital moves because of its importance in the production process, for gaining bigger market share, for brand globalization, for security of investment, to facilitate free trade among nations, and for the fact that investors are always looking better and more returns on their investments. Capital movement has its own effects on both home and host countries, because capital is one of the most important factors of production that is directly linked to globalization in so many aspects. When capital flies to a foreign country, it creates better investment opportunities and better chance to initiate successful FDI. (Foreign Direct Investments) Additionally, new markets can emerge due to new investments and new product lines for new trends and different life styles. New Products and services come to the market due newly identified opportunities. The risk of nationalizing the new investment is always kept on mind; where the government can force individuals or multinationals to nationalize their investment. Cross-border investment and losing the investment to foreign hands is also a disadvantage that can occur from capital flight to a foreign nation.

As for the country sending the capital away, there would be advantages as well as disadvantages. Cross-border economic growth is one of the most considerable advantages; where the out-of –the- country investment can generate income which is sent back to the home country; which in turn can be translated to growth in local economy; the ultimate purpose of every nation.

The risk of foreign hands taking over the local's economy is always a fear when sending capital to initiate investment in a foreign country. On the long run that can appear to be an obstacle facing any country considering FDI, or any other form of investment.

Technology

Technology transfer has its own effects on countries and contributes to the facilitation of globalization. When a country exports technology to foreign countries; that often means income earning generated from sales of technology to foreign countries. More money and income coming to any country contributes directly to the Balance of Trade and balance of Payment (more exports than imports is always good news). This economic growth leads to the creation of new jobs in the local market; as solving the unemployment problem is the no.1 priority to any nation. As for the host country receiving the technology, besides the fact that it is needed in the

production process as an essential production input, it also contributes to the economy of scales; where the nation becomes slowly industrialized and begins to manufacture goods locally. Local industrial growth is closely related to improving standards of living, as well as increasing the GDP of the nation. Employment is also present in the bigger picture; as new jobs are being offered in new industries and factories.

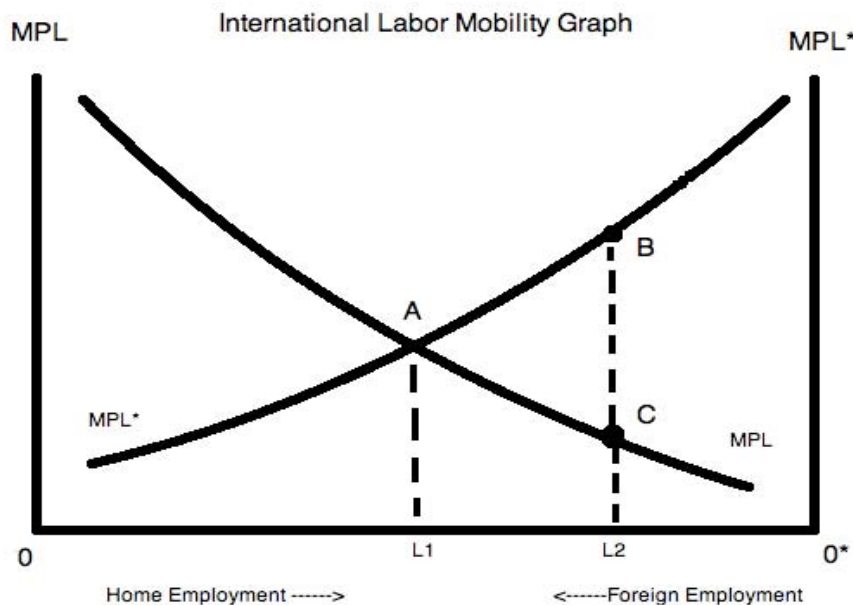
The disadvantages of gaining new technologies are also present; as the pollution and environmental problems can occur due to growth in industries. Human-skills exploitation and human-rights abuses cannot go unmentioned; as people work in the expected new factories and plants, they are often exploited because, they tend to work longer hours for lesser pay than what obtains from the advanced Countries.

Raw Material

When a country exports raw materials, it gains income; which directly contributes to the increase of the GDP and GNP of the country. Growth of the economy is inevitable in such cases where the nation gains sustainable income. The disadvantages of such process might include environmental pollution caused by using those raw materials in plants, as well as environmental exploitation to the process and the methodology involve in getting these raw materials. Evidently; this is usually at some cost to the environment in one way or another. Also, the host countries importing raw materials enjoy the good news of. Having the needed raw materials as inputs of production in the local market as well as in international markets. Finally, economic growth and social stability arises from this integration of resources, leading to the bigger picture of Globalization that is happening every day all around the world.

Examples of Labour Movement and its Importance in Facilitating Globalization

The following model illustrates the importance of labour movement. Home and foreign countries are each represented by a MPL curve. Initially, home labour force is at point C and foreign labour force is at point B. In the absence of labour mobility, these points would stay the same. However, when you allow labour to move between countries, assuming the costs of movement are zero, the real wage converges on point A and workers in Home move to Foreign where they will earn a higher wage.



The examples of Countries that allow free- labour movement are many; and here are some of them:

Japan: Japan used to have tight immigration laws, but since the early 1990's it has loosen up her strict laws to allow special entry permits for foreigners of Japanese ancestry to make up the shortage in the labor-force. According to Japanese immigration center, the number of foreign residents in Japan has been steadily increasing, and the numbers of foreign residents were more than 2.2 million people in 2008.

Countries in Europe: Some EU member states are currently receiving large-scale immigration of workers: e.g. [Spain](#), Germany, Italy, The United Kingdom, France and recently Turkey.

The Relationship between Trade and Factor Mobility

Commodity movements and factor movements are substitutes. Therefore, Factor movement is an alternative to trade that may or may not be a more efficient use of resources. There are two extreme cases between which the conditions in the real world can be found, there may be perfect factor mobility but no trade, or factor immobility with unrestricted trade.

The following section discusses how the mixture of factor mobility and free trade always lead to the highest resources allocation efficiency.

Substitution

When there is a significant variation of factors availability among countries, abundant factors move to countries with greater scarcity, to command a better return. As a result, in countries where labour is abundant compared to capital, labourers suffer from unemployed or low wages. If allowed, many of those abundant workers will move to nations that pay higher wages and enjoy full employment status or at least high employment rates.

Likewise, capital movement is done in the same manners, i.e. it moves from nations in which it's abundant to those in which it's scarce. A good example on that is movement of labour and capital between the United States and Mexico, whereas; Mexico gets capital from the United States, the United State gets workers from Mexico. If the movement of goods and factors of production i.e. capital, labour, technology and raw materials are permitted around the globe then the comparative cost of transferring these goods and factors would be the sole determinant of the location of production.

Nevertheless, restrictions exist on trade and factor movement and this limits their global availability. For example, the U.S. immigration restriction imposed on Mexican workers that limit their ability to move to the United State and the Mexican ownership restrictions in the petroleum industry that limits U.S. capital movements to invest in the industry.

Meanwhile, many other jobs that defy mechanization-such as bussing tables at restaurants and changing beds in hotels- are largely filled by unskilled immigrants in developed countries.

Conclusions & Recommendations

As Globalization describes the process by which regional economies, societies, and cultures have become integrated through communication, transportation, and trade. It increases the market for demand. Many critics wrote about its disadvantages and the bad effect of it. Nevertheless, we need globalization for its many positive effects on nations, but we need to have solutions to its disadvantages as well as to make the most out of globalization. The whole world can get benefit from globalization by minimizing its disadvantage in one of the following ways

The Choices

The main question of globalization: is it worth keeping? And how we can keep it? Actually we have three choices or alternatives, first alternative is to stay with the present situation, i.e. keep the situation as it is. Even though globalization increases human insecurity at the same time it opens many opportunities in the market for nations. This alternative is still under studies as it's become unacceptable.

Second alternative, is to move backward, to the time where there was no WTO, which become the symbol of globalization. But it's very hard to accept this alternative as WTO is powerful and opens many opportunities for people with endless new systems that have been successfully used.

As result, the only acceptable and logical alternative is to manage globalization in a better way, so in doing this, it will downside the inequity, instability, and the insecurity and other negatives attributes that are associated with it so as to minimize the negative effects and maximized it's benefits. Fortunately, the negative trends of globalization can be reversed for the benefit of many nations.

Agenda for Action

While solutions may differ from country to country depending on the cultural and historical contexts in which they take place, The need of certain actual actions at t national level to appropriate economic and social policies are needed to capture the framework of opportunities in trades, as well as capital flow and migration to protect people against the vulnerabilities' that globalization creates. For example, Governments can manage trades and capital flows more carefully.

Finally, despite the negative aspects of Globalization one cannot deny its much bigger positive aspects. Simply stated, we cannot live without globalization. But. dealing with globalization and its negative effect should be studied and understood thoroughly in order to help people worldwide develop their home nations in the small village that globalization creates.

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