

Globalization Effects on Improving Developing Countries' Economies (with Special reference to Jordan)

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Abstract

This study aims to discern the effects of globalization on the economies of developing countries with focusing on Jordan. The study was based on reviewing the related literature in order to conclusion the globalization effects that have received the largest consensus, in previous studies. Where the results showed that globalization led to increase the direct foreign investments in the developing countries, which leads to the creation of new jobs, which means improving the working conditions and the work wages. Also the study indicated that globalization has positive effects on Jordanian economy. Accordingly the researcher Presented a number of recommendations, the most important expansion in the creation of qualified industrial zones.

Keywords: Globalization, Foreign Investments, Economic Policies

Introduction:

Globalization has imposed new consequences on countries whether developing and developed in terms of economic, Cultural, and legal adaptation. This adaptation requires from the states to develop legislation at all levels to cope with the new global approach that assumes that the world has become a small village. There is no doubt that such changes involve physical and social cost, where to engage in the global environment requires advanced preparation of the infrastructure universally accepted. Accordingly, the citizen of any country in the wand will become a global citizen, which calls for removal of Social, cultural, legal and economic barriers, which prevent such access.

From here, we find that a lot of countries have introduced radical changes affected the education systems, employment systems, trading systems in a manner that activation of their existence and their role in the new world order. Therefore globalization is not a mere market openness as some believe, but it involves on that all countries of the wand have become open, in terms of their territory and their airspace and seas open to all. This study deals with identifying the benefits that earned by developing countries as a result of this trend, with a focus on the economic side.

Problem statement and questions:

The philosophy of globalization based on the fact that human societies around the world have established closer contacts that facilitate the relationships between societies (Jasso, 2008). And these relationships are not born of the moment, but they founded since the creation of life. Recently and with globalization trends, relationships between nations have developed to become more diverse and complex, because they widened to include political, economic and cultural relations. Therefore the problem of this study revolves around how developing countries benefited from globalization? This problem was discussed by the following questions:

- 1- How the impact of technological advances reflected on the economics of developing countries?
- 2- What are the factors attracting investments and multinational Companies spread in developing countries?
- 3- What are the changes made by developing countries to become an encouraging economic environment?

Study Significance:

Because globalization has become inevitable reality experienced by all the countries of the world without exception, there is no doubt that this fact must be beneficial for all of these countries, because it is a global option is irreversible. Although some literature has pointed out that globalization was in favor of the rich countries, and against the interests of poor countries (Agosin and machado, 2007), the importance of this study stems from its attempt to prove that globalization is beneficial for all the countries, whether developed and developing countries.

Study Objectives:

This study aims to achieve the following objectives:

- 1- Definition of the concept of globalization.
- 2- To determine the need to globalization in the present era.
- 3- Shed light on the impact of globalization on the economies of developing countries.

Methodology:

This study was conducted according to the descriptive approach by reference to the relevant studies, which touched on the search in several effects of globalization on the economies of developing countries, in order to

reach an economic impact that received by a consensus of these studies. Where some of the literatures have indicated to that globalization has affected developing countries positively in reducing of unemployment rates, while other researches have addressed the foreign investment, flows in developing countries as one benefit of globalization.

Theoretical background and literature review:

Theoretical Background:

Globalization could be defined as the tendency of businesses, technologies or philosophies to spread through the world, or the process of making this happened (scott and storper, 2003). Perhaps the biggest evidence of the validity of this definition is the rapid spread of the USA real estate mortgage crisis to become a global financial crisis (Al-Waked, 2009). Also, Suny Levin Institute has defined globalization as a process of interaction and integration among the people, companies and governments of different nations.

(file://what%20s%20Globalization-%20Globalization101.html)

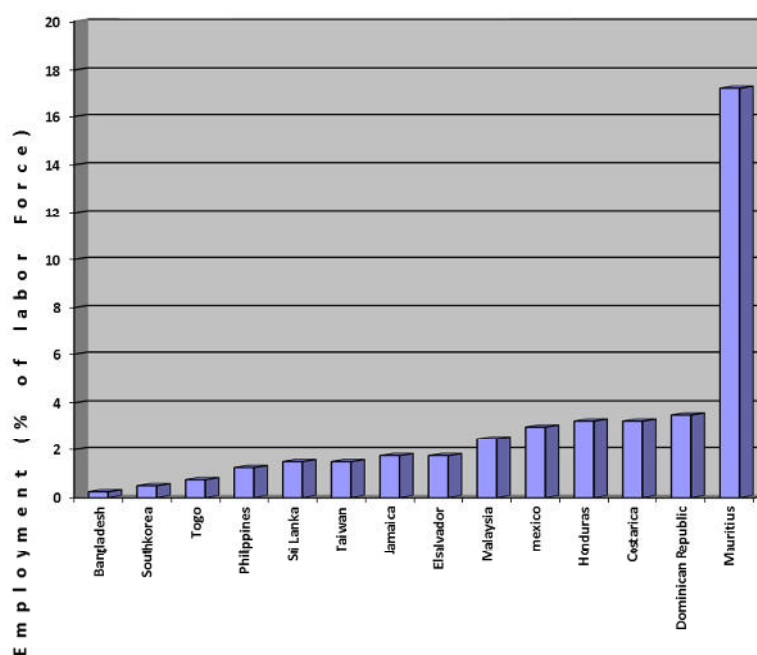
The most appropriate definition of a researcher point of view is that globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge, in addition to the free inter-country movement of labor (Goyal, 2006).

Through these definitions it can be said that the main objective of globalization is economic openness, and what follows this openness of freedom in the movement of capital, People, and multinational companies, employment, and even epidemics and crises, which means that the world became a small village. Economic openness and globalization led to a shift of many states (China for example) to a policy of market economy, especially after the emergence of the world trade organization (WTO). The effects of globalization did not stop at the economic aspects, but globalization has become cultural, political and even legislative, in this regard some authors pointed out that the main tool of transformation of states to globalization especially in Latin America and the Caribbean is Political economy (Gwynne and Kay, 2004).

As a result, the individual becomes a global citizen live in a small village does not recognize geographical borders, thanks to huge advances in information and communications technology. Also development of technology in communications and transportation was accompanied by open markets, have gave goods, services and capital unprecedented ability to move across the world and to enter markets have not previously accustomed. Northern Countries, wanted opening markets to their products and benefiting from abundant cheap labor in the south. Therefore, multinational corporations have trended to manufacture products in many countries and sell to consumers around the world. Such action includes a benefit for the developing countries in terms of reducing the unemployment rates. Perhaps on of the reasons for the high unemployment rates in developing countries is education not globalization, where Dickens and Lang (1995) pointed out that education was the main reason for unemployment in Srilanka.

Therefore the current researcher believes that globalization has created new jobs for the job seekers in the developing countries. Since the winds of globalization began blowing in the eighties of the last century, the current researcher finds that it is appropriate to review how globalization through export – processing zones have been a powerful engine of employment generation. Figure No.1 below shows the share of the total labor farce employed in these zones in some developing Countries during 1990 s; which is the period of boom to the idea of globalization.

Figure No.1: Employment in Export Processing Zones



Source: Constructed using data gathered by Madani, 1999 cited in Rema, 2002.

Here we can conclude that export processing zones which one of globalization outcomes, have generated new jobs in developing countries with a rate between 2-18% of labor force. As for Jordan, the number of jobs held by Jordanian workers in qualifying industrial zones reached 11803 jobs.

Moreover, other studies have indicated that developing countries have benefited from globalization through, the flow of foreign investments to their markets, and participation in the capital in the qualified industrial zones. In this regard, Caselli and Coleman (2011) and Shihetal (2002) Pointed out that there is macroeconomic evidence that countries with global economies and market policy have higher levels of foreign investments. The researcher believes that the most important economic effects of globalization on developing countries is to resort these countries to develop their products to become competitive in a global market characterized by sharp competition. In this area, the Jordanian news agency "Petra" noted that African Markets are hungry to the Jordanian industrial products (Petra, 2015).

Literature Review:

After reviewing the related literature the researcher has selected the following previous studies:

1- Study by Prasad et al (2007) under the title: "financial Globalization, Growth, and Volatility in Developing Countries".

The study aimed to provide an assessment of empirical evidence on the impacts of financial globalization for developing economies the study was based on giving answers to two questions:

Firstly: Does financial globalization promote economic growth in developing countries? And Secondly: What is its impact on macroeconomic volatility in these countries? The results showed that financial globalization has important indirect effects on economic growth, where economic growth has been the most reliable source of poverty reduction, while increasing macroeconomic volatility, may reduce the well-being of poor households. These results were reached through relying on what was stated in the literature.

2- Study by Rama (2002) under the title: "Globalization and Workers in Developing Countries".

This study aimed to review the academic literature that addressed subject of globalization effects on working environment, and workers in the developing countries, and this is because some of the literature have stated that globalization affected negatively on workers in the developing countries, while other studies indicated to many Positive effects. The effects of globalization were discussed in this study through six issues:

- The effects of trade openness including foreign direct investment and financial crises on average wages.
- The impact of global markets on wage dispersion based on nationality, skill and gender.
- Describe patterns job loss and job creation associated with globalization.
- Impact of unemployment rates.
- Possibilities of the labor market policies to, offset the adverse impacts of globalization on employment and labor' wages.
- How the international community could encourage developing countries to adopt the right policies of labor market in the context of globalization.

- The results of this review showed that wages grow faster in economies that do integrate with the rest of the world. Openness to trade can have a negative impact on wages in the short run, but it only takes a few years for this effect to change sign. The impact of foreign direct investment is very positive even in the short run finally, the workers wherever in the world, are threatened by international capital movements and financial crises which may due to these movements.

3- Study by Brown et al (2004) under the title: "The Effects of Multinational Production on Wages and Working Conditions in Developing Countries".

This Study aimed to assess the empirical evidence on the effects of multinational production on wages and working conditions in developing countries, and the effects of capital movements among states on the Working conditions in the developing countries. But what strain the attention of the current researcher in this study is the impact of the flow of technology, as one of the outputs of globalization, on host country wage.

The results of this investigation calrify in the table below:

Table No.1: Effects of FDI as Technology flow on Host – Country wage

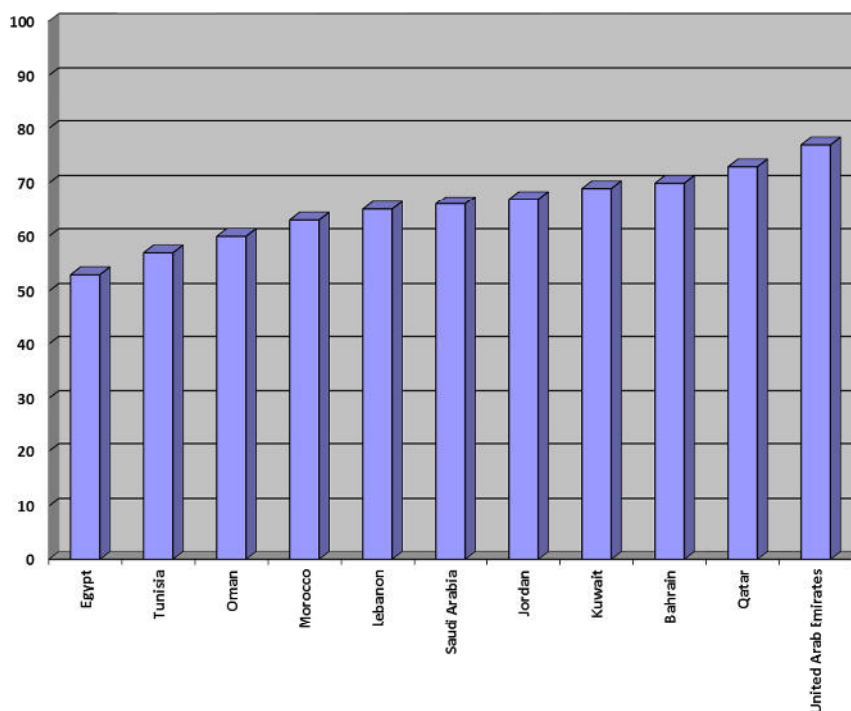
Model (sector X Factors)	Nature of technology change	Effect on Wage
One – sector (1×2)	Natural	+
Ho (2×2) diversified	Labor using	+
Ho (3+×2) two – cone diversified	Labor Saving	+ or –
	In labor intensive sector	+
	In capital intensive sector	-
	In labor intensive sector of cone	+
	In capital intensive sector of cone	-

Therefore, we can conclude that globalization has positive effects in the scope of technology flow on developing countries in terms of working conditions and wages in host countries.

- Globalization effects on Jordanian economic:

There is no doubt that Jordan as one of the developing countries has been affected from globalization, where most of these effects were positive. For example, Jordan took the fifth rank at the level of Arab Countries in the globalization index, based on the classification of the Swiss Institute for Research on Economic Cycle, (KOF), which relies on the measurement of economic. Political and Social performance in the countries listed in it for more than 30 years. Figure No.2 below shows the ranking of Arab countries in the globalization index for the year 2014.

Figure No.2: Ranking of Arab Countries in globalization index 2014



Soure: Alarab Alyawm Newspaper, 26.8.2014

From the figure above it is noted that Jordan has achieved globalization requirements on economical, political and social levels. The Swiss Institute (KOF) gave Jordan ranked 38 among 100 countries of the

developing and developed worlds, represented by 69.46 Points. While, fore the economic globalization, which include trade share of GDP and foreign investments, Jordan achieved 67.8 Points. And this means that Jordan was affected positively from globalization.

Results and Recommendations:

We can conclude from this study the following:

- 1- Globalization has affected developing countries positively in some fields and negatively in other fields.
- 2- The positive effects were more important than negative ones.
- 3- Globalization led to increase the direct foreign investments in developing countries which means creation of new jobs.
- 4- These new jobs have led to improve the level of wages and working conditions.
- 5- Technology flows help the developing countries to improve the quality of their products.
- 6- Developing countries must change their economic policies to be able to meet any financial crises.

Recommendations:

The researcher presents the following recommendations to the decision makers in the developing countries:

- 1- The need to expand the use of industrial technology to improve product quality and increase competitiveness.
- 2- The need to focus on the education of the English language because it is the language of business and money, so as to enable the local workforce in developing countries to work with multinational companies.
- 3- Expansion in the creation of Qualified Industrial Zones.

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