Analyze the impact of globalization on the economic development and standard of living in an economy other than Australia.

Globalization is the progressive integration of national economies, leading to the removal of both natural and artificial barriers to the movement of goods, services, resources and finance between nations. The process of globalization involves economic integration, world trade and financial flows, the increasing spread of technology, the growth of financial markets and products, the different directions of flow of investment portfolio and direct investment, and the movement of labor resources between countries. Different nations have been affected in different ways by globalization, depending on their degree of development and the extent to which they are open to the flows of the world economy.

The growth of the global economy has increased the opportunity for investment by breaking down national boundaries. This has facilitated the worldwide introduction of new technology, although technology has spread at different rates in different regions. Increased globalization, facilitated by a reduction in trade protection and increased financial deregulation, has meant that changes in trade and financial flows can have significant effects on a national economy. As a result many countries have become export focused and now rely upon foreign funds to finance economic expansion. This has also meant that national governments must consider to a much greater extent the international consequences of domestic economic policy.

China is a newly industrialized country (NIC) as it is experiencing rapid increases in manufacturing and economic growth. This increase was sudden in the last quarter of the twentieth century, to begin leaping across the development gap between developing countries and high income countries. With a population of 1.23 billion people, which is 22% of the worlds population, what happens in China tends to affect the rest of the world.

On the 11th December 2001 China joined the World Trade Organisation (WTO). Members of the organisation receive the benefits of having access to the markets of fellow members and bear the costs of opening their own domestic markets to foreign competitors. The conditions for China to have entered the WTO included: (1) the lowering of tariffs on imports, (2) permitting foreign firms to sell directly in Chinese domestic markets, and (3) the opening of the telecommunication and finance sectors to more foreign competition. China agreed to lower its tariffs on agricultural products from 31.5% to 14.5% overall by January 2004. Tariffs on industrial products would be lowered by 35% to 17% in a period of 5 years. Foreign manufacturers would be able to sell their products directly to domestic consumers without having to go through Chinese trade organisations. China also agreed to open its service industries. Foreign investors would be able to own 40% of the shares in commercial companies, to increase to 50% two years after joining WTO. Foreign firms would be able to hold minority shares in securities fund management joint ventures, at 33% initially and increasing to 49% three years after joining.

The lowering of tariffs would lead to an increase in the imports of both agricultural and industrial products for consumers. The prices of these products are expected to decline and the quality of the products would improve, both to the benefits of Chinese consumers. Competition will force Chinese producers to lower their prices and improve the quality of their products. Those firms that cannot compete will have to adjust, some possibly going bankrupt. Foreign manufacturers operating in China will also provide competition, with effects similar to those of lowering tariffs on imports. As a result of this globalisation local foreign producers have the advantages over importers of being able to use the low-cost labour in China and saving the cost of transporting the final products to China.

China is also committed to reducing non-tariff barriers on imports. Over the next five years, it will replace import licensing and tariff-rate quotas, which provide guaranteed access for a set volume of imports at a relatively low cost. It will also dismantle internal protectionism, which in the past has been a challenge since barriers have been widely erected to favour local products.

Since WTO membership requires China to lower tariffs on agricultural and manufactured products and allows foreign firms to enter China's manufacturing and selected service sectors, there will be structural changes in China's economy. Structural changes include changes in the relative importance of different industrial sectors and of state versus nonstate sectors. From this is could be expected a relative decline of the agricultural sectors and the relative increase in importance of certain sectors dealing with financial services and telecommunications. Also a decline in the state sector could be expected compared with the nonstate sectors and a possible increase in the efficiency of Chinese enterprises as tariffs are lowered, foreign firms enter the Chinese market, and they are subjected to more foreign competition. Firms that fail to compete will have to find ways to downsize, to reorganise or to adopt new technology and new ways of management to survive.

China's economy was essentially a closed economy before the economic reform. In 1978, the total volume of its foreign trade amounted to only 7% of its national income. Deng's open-door policy encouraged the opening of China to foreign imports and the promotion of exports. By 1978, the volume of foreign trade has increased to 25% and by 1998 to 37% of gross domestic product.

Foreign trade (total imports plus exports) increased from $US115.4 billion in 1990 to $US323.93 billion in 1998. To account for the total volume of trade in 1992, China's main trading partners were Japan (57.9 billion), the United States (54.9 billion), Hong Kong (45.4 billion), Korea (21.3 billion), Taiwan (20.5 billion), Germany (14.3 billion), and Europe (58.7 billion). China's imports grew 13.2% between January and July 2002 to $US155.6 billion below the 16.2% growth in exports to $US171.2 billion. Manufactured goods accounted for 163.2 billion of the 183.8 billion of total exports in 1992. As a result of globalisation manufactured goods such as textiles, clothing, shoes, toys, sports goods, and tools that are found in stores in the United States.

As of 1980 China had established trade relations with more than 170 counties and regions and had signed bilateral trade agreements or protocols with more than 80 of them. This change must have resulted from the realisation among Chinese leaders of the gain to be achieved from international trade. The exports of goods and services grow by 13% from 1980-1998.

Foreign investment, the second component of the open-door policy, was promoted through the opening of different regions of China. In 1982 the Shenzhen economic zone bordering Hong Kong was created. Infrastructure was built. Foreign investors could set up factories there to take advantage of the inexpensive and skilled labour and pay them at market-determined wage rates different from the rates in other parts of China.

Considering all these negatives of the affects of globalisation the Chinese government sees it as beneficial to China if it is properly regulated. It sees foreign investment as an important part for China’s modernisation and economic development. It has encouraged foreign investment by setting up special economic zones and opening 14 cities. Foreign investment has provided to China capital, new technology, managerial skills, and training for labour. It has also provided competition in the domestic market, and competition has forced domestic enterprises to become more efficient. China’s entry into the WTO makes China’s door even more open. Both foreign investment and foreign trade are expected to increase because of it. Foreign firms will begin to penetrate China’s financial and telecommunications sectors. Trade will increase in both directions. The Chinese government has committed to lowering tariffs on both agricultural and industrial products, which will lead to an increase in imports. Chinese exports will also increase because Chinese goods will have better access to world markets open to members of the WTO.

As the Chinese economy expanded, investors saw the potential of a large Chinese domestic market. Foreign investment grew rapidly. Foreign direct investment grew from $US3.487 billion in 1990 to $US 45.463 billion in 1998. Other foreign investment grew from $US0.268 billion in 1990 to $US 2.094 billion in 1998. In 1999 China ranked third in attracting foreign direct investment among all the counties and regions in the world.

The Chinese government is eager to build infrastructure, including highways, ports, telecommunication systems, etc., that require capital and modern technology which can be supplied by foreign investment. Chinese state enterprises are also looking for foreign partners to upgrade their technology, management, labour, and marketing abilities. Many foreign investors know about these needs and have taken advantage of such opportunities. The Chinese consumer markets are being opened wider as import quotas and tariffs are being reduced, partly as a result of the Chinese government's desire to join APEC and the WTO, and partly as a result of the rapid increase in China's reserves in hard currencies which can be spent to increase imports. Besides selling to the Chinese market, foreign companies also take advantage of the cheap and skilled labour in China to produce exports. To take advantage of economic globalisation opportunities in China, investors have to deal with the Chinese bureaucracy in the bureaucratic market economy.

China was affected by the Asian financial crisis in July 1997 but only to a moderate extent. Economic growth was slower. At this time it would have probably been more beneficial for the People's Bank to exercise a more expansionary monetary policy by increasing credit and the money supply more rapidly. The Chinese government was trying to raise aggregate demand following the financial crisis by increasing expenditure on the building of infrastructure. Instead of financing expenditure by issuing bonds, the government could have financed some of the projects by issuing more money, or non-interest baring government debt.

For China to have economic growth it needs to maintain an annual GDP growth rate above 7% to create jobs for the tens of millions of new jobseekers who enter the labour force every year. Between 1990-98 China showed an average real GDP growth of 11.1% this was one of the highest in the world at the time. China's GNP per capita was $US 3105 in 1995.

China had a Human Development Index (HDI) ranking of 98 in the world in 1997 out of 174 countries. Its HDI was at 0.701. In the 30 Provinces rankings ranged from the highest HDI value in 1995 with Shanghai at 0.885 to the lowest ranking in Tibet with 0.391. China's life expectancy in 1997 was 69.8 years. This ranged from 75.2 years in Shanghai to 59.8 years in Tibet. China's adult literacy rate was 82.9% in 1997. Out of the provinces Beijing had the highest with 92.1% and Tibet the lowest at only 38.5%. China's Real GDP per capita (PPP $US) was 3,130 in 1997. This ranged from 10,901 in Shanghai to 1,121 in Guizhou.

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Globalisation is the progressive integration of national economies, leading to the removal of both natural and artificial barriers to the movement of goods, services, resources and finance between nations. The process of globalisation involves economic integration, world trade and financial flows, the increasing spread of technology, the growth of financial markets and products, the different directions of flow of investment portfolio and direct investment, and the movement of labour resources between countries. Different nations have been affected in different ways by globalisation, depending on their degree of development and the extent to which they are open to the flows of the world economy.

The growth of the global economy has increased the opportunity for investment by breaking down national boundaries. This has facilitated the worldwide introduction of new technology, although technology has spread at different rates in different regions.

Workers move between countries to find better employment opportunities. The numbers involved are still quite small, but in the period 1965-90 the foreign-born proportion of labour forces worldwide increased by about one-half. Most immigration occurs between developing countries.

Increased globalisation, facilitated by a reduction in trade protection and increased financial deregulation, has meant that changes in trade and financial flows can have significant effects on a national economy. As a result many countries have become export focused and now rely upon foreign funds to finance economic expansion. This has also meant that national governments must consider to a much greater extent the international consequences of domestic economic policy.

Trade occurs between countries, as it is beneficial for both countries. It is beneficial because of the differences in the distribution of resources between nations. A countries combination of resources or factor endowments (land, labour, capital and enterprise), allow a particular country to produce certain goods more efficiently and effectively than other countries can. These differences mean that it is in the interest of a country to specialise in the production of goods and services in which it is efficient. Trading of its surpluses for goods and service for which it does not produce as efficiently allows that country to enjoy a greater variety of these than would otherwise be possible.

Comparative advantage is based on the relative efficiency of production and is a state where each country benefits from trade by specialising in the production of goods and services, which allow the most efficient use of resources. Comparative advantage uses the concept of opportunity cost in production where if a country can produce a good with greater comparative efficiency as measured by opportunity cost it should specialise and engage in trade. As both countries are using their resources more efficiently, trade will lead to higher standard of living than would be otherwise possible. This is compared to absolute advantage where a country would have an absolute advantage in the production of a good when it can produce more of that good with a given amount of resources than another country.

Protection which is undertaken by the government is design to prevent free trade. This can be done to protect infant industries, ensure there are employment opportunities in the domestic economy, prevent dumping, reduce a countries dependency on foreign producers and limit the level of the trade deficit. Protection is needed in Australia as Australian workers cannot compete against low-wage countries without suffering a reduction in wage rates. Also if one country resorts to protection another country may retaliate, with the original country losing an export market and suffering increased domestic unemployment. Methods of protection include tariffs, subsidies, quotas and embargoes.

A tariff is a tax imposed by the government on imported goods. Tariffs make the imported item more expensive and therefore less competitive with the locally produced item. Tariffs raise revenue for the government and cause resources to be reallocated from efficient industries to inefficient and uncompetitive industries. Through the introduction of a tariff, there is a redistribution of income away from consumers and importers towards domestic producers and the government.

A quota is legally imposed to control the quantity of a good that can be imported into a country over a given period of time. For some products there is a quota tender system whereby importers pay the government for new quotas. Quotas on imports are often more effective in providing protection for domestic producers than tariffs because once the import quota has been filled further imports are prohibited, and producers are guaranteed a share of the domestic market.

Globalisation can be said to have been beneficial by increasing economic growth, living standards and general economic conditions. It can also be argued that globalisation has increased the level of inequality between nations and within nations. This can be said to have been responsible for increased unemployment and the reduction of living standards in developing countries.

Standard of living is the general level of material well-being of people in a country. There are two main ways of measuring variations in standard of living. These are Income and Quality of Life Indicators, and Human Development Index (HDI).

HDI measures the welfare rather than exclusively the economic living standards of economic development. It takes into account life expectancy at birth, levels of educational attainment and gross domestic product per capita. The HDI is a score between 0 for nations with no human development and 1 for maximum human development.

World development and quality of life indicators are based on 22 development indicators, which include infant mortality rate, energy consumption, calories per day, adult literacy rate etc.

Economic growth is the increasing ability of a country to satisfy the material wants of its people over a period of time, usually one year. It is measured by Gross National Product (GNP) which is the total added from domestic and foreign sources in a country and includes Gross Domestic Product (GDP) plus net receipts of primary income from non-resident sources. Economic growth leads to an outward shift in the economy's production possibility curve enabling greater national output, material welfare and rise in living standards.

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Premier Zhu Rongji's main motivation for promoting China's entry into the WTO was to use foreign competition to speed up economic reform in both the industrial and service sectors.

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Attracting foreign investment is a main motivation of Dang's open-door policy. This policy was a complete turn around form the thinking of the Chinese Communist party that foreign capitalists came to China to exploit the Chinese people. Exploitation takes the form of using cheap Chinese labour and extracting Chinese natural resources at low prices. Foreign investors take over Chinese land to set up their business. Foreign factories pollute the physical environment of China. Foreign businesses make money from the Chinese people. The sale of their goods drives out domestically produced goods in Chinese markets. Human rights advocates complain that capitalist investors exploit cheap labourers in developing countries, although the wages are quite a bit higher than most domestic wages in those countries. Buying the right to dispose of waste on the cheaper land of developing countries is considered immoral and so is polluting the environment.

Considering all these negatives of the affects of globalisation the Chinese government sees it as beneficial to China if it is properly regulated. It sees foreign investment as an important part for China's modernisation and economic development. It has encouraged foreign investment by setting up special economic zones and opening 14 cities. Foreign investment has provided to China capital, new technology, managerial skills, and training for labour. It has also provided competition in the domestic market, and competition has forced domestic enterprises to become more efficient. China's entry into the WTO makes China's door even more open. Both foreign investment and foreign trade are expected to increase because of it. Foreign firms will begin to penetrate China's financial and telecommunications sectors. Trade will increase in both directions. The Chinese government has committed to lowering tariffs on both agricultural and industrial products, which will lead to an increase in imports. Chinese exports will also increase because Chinese goods will have better access to world markets open to members of the WTO.

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The objectives of the People's Bank are to formulate and carry out monetary policy, improve macroeconomic regulation, and exercises control over financial enterprises and markets. The objectives of monetary policy are to stabilise the value of the currency and in so doing promote economic growth. The People's Bank is to determine the quantity of money supply, the rates of interest, the exchange rate and related matters subject to the approval of the State Council. The instruments for the conduct of monetary policy include: (1) setting reserve requirements for financial institutions, (2) setting the central bank's base interest rate, (3) rediscounting for financial institutions which have established accounts in the People's Bank, (4) providing loans to the commercial banks, (5) buying and selling government bonds, bonds issued by government units, and foreign exchange, and (6) other instruments as determined by the State council. The exchange rate stays in a tight range of 8.276 to 8.28 yuan to the US dollar. For the government whose priority is to find work for 12-15 million people joining the job market each year, the benefits of a stable exchange rate is a great asset.

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Fiscal policy consists mainly of setting the amount of government expenditure given the level of government revenue, which is determined by the tax structure and the economic conditions. A need for fiscal policy has developed since economic planning became less important and market forces were allowed to determine aggregate output. The Chinese Government has previously signalled its intention to maintain the fiscal stimulus it has been using to strengthen the country's economic growth rate over the past few years.

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