

Question No.2 a) Describe the effects of globalization on the world economy.



Solution: The impact of globalization has undoubtedly led to economic growth.

In specific terms, the effect of globalization are as follows:

1. The major effect of globalization is that the global economy is becoming more integrated day by day.
2. The volume of world trade has grown at a faster rate than the volume of world output.
3. There has been a trend of lowering the barriers to the free flow of goods, services and capital among countries.
4. Foreign direct investment has been playing an important role in the global economy. In order to become competitive, company have started investing in overseas operations.
5. Global operations have led to the emergence of Multilateral Trading Systems
6. Imports are penetrating deeper into the world's largest economies as well.
7. The growth of world trade, foreign direct investment and imports leads to more foreign competition in the domestic markets.
8. In order to compete with the foreign players, domestic firms are required to enhance the production and distribution capabilities.

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9. Companies have started looking the world as a market for their products.
10. Companies have started dispersing their manufacturing, marketing and research facilities around the globe where cost and skill conditions are most favourable.
11. Opportunities have been increasing for the firms.
12. Innovations have started spreading faster.

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