

Economic Impacts of Globalisation

Recap: Defining Globalisation

- **Economic aspect**
 - An **interconnected global economy** characterised by increased flows of
 - **Trade** (cross-border imports and exports of goods and services)
 - **Finance** (direct and indirect foreign investment; repatriated corporate profits and wages)
 - **Labour** (short and long-term migrant workers/ economic migrants)

and an increased number and size of multinational corporations (**MNCs**)

Economic Impacts of Globalisation

5. How did the COVID-19 pandemic contribute to global inflation?
6. Why is Singapore especially vulnerable to disrupted global supply chains?
7. What are some long-term implications of the pandemic for the global economy? Consider the value of international trade and how national responses to the pandemic affect it

Q5. Pandemic and Inflation

- Lockdowns, restrictions, and illness → manpower shortages → congestion and delays at ports → longer shipping times and increased costs → disrupted supply chains
- Govt. financial assistance + WFH → boom in demand for consumer goods
- Increasing demand + constrained supply = increased shipping prices → increased retail prices → **inflation**

Q6. Why SG is Vulnerable

- Singapore's economic benefits
 - **Rapid economic growth** from the 1980s driven by
 - **Foreign direct investment** – MNCs relocating production to SG create jobs and increase demand for other goods/services
 - **Export-oriented economy** (fuelled by **Free Trade Agreements**) allow businesses to overcome SG's small domestic market
 - **Easy access to migrant labour** for various skilled and low-/unskilled manpower needs
 - Growing economy allows govt. to earn **more tax revenues**

Q6. Why SG is Vulnerable

- Economic vulnerabilities
 - SG's **open economy** is more **vulnerable to economic crises** as slowdowns/recessions in other economies lower **export demand** and affect **financial markets** e.g. 1997 Asian Financial Crisis, 2008 US Sub-Prime Mortgage Crisis
 - Local businesses (especially SMEs) **face competition** from MNCs and foreign imports; local workers also face competition with migrant workers for jobs in certain sectors/industries

Q7. Long-Term Implications

- Consider impacts of
 - Businesses switching to strategies to improve resilience of their supply chains (through diversification, regionalisation, nearshoring, reshoring, redundancy etc.) → increased costs of production & costs to consumers?
 - Increased demand for labour in storage, distribution and transport (warehouses, truck drivers) → more employment opportunities or increased automation?
 - Changed workplaces → preference for remote work effecting business practices, demand for office space, etc?

REVAMPING THE SUPPLY CHAIN



WSJ

Majority of workers prefer to continue flexible work arrangements: IPS working paper

Among respondents who were currently working from home and felt that working from home on most days or flexible working arrangements should be the new norm for workplaces, around 42 per cent of the respondents indicated that they would consider looking for another job if their employer required them to return to the office on most days.

Dr Mathews said that workers and employers also need to be "active" in adjusting to hybrid work arrangements and to be "cognisant" of the issues.

People seen at the Central business district (CBD) in Singapore on Mar 23, 2022. (Photo: CNA/Marcus Mark Ramos)

SINGAPORE: A sizeable proportion of employees here prefer to retain flexible work arrangements rather than work from the office or from home on most days, a study by the Institute of Policy Studies (IPS) has found.

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work from home