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INVESTMENT POLICIES AND GLOBALIZATION: CHALLENGES AND PROSPECTS

As **globalization** integrates the economies of neighboring and of trading states, they are typically forced to trade off such rules as part of a common **tax, tariff and trade regime**, e.g. as defined by a **free trade pact**. Investment policy favoring local investors over global ones is typically discouraged in such pacts, and the idea of a separate investment policy rapidly becomes a fiction or fantasy, as real decisions reflect the real need for nations to compete for investment, even from their own local investors.

A strong and central criticism of the new global rules, made by many in the **anti-globalization movement**, is that guarantees are often available to foreign investors that are not available to local small investors, and that **capital flight** is encouraged by such free trade pacts.

Globalization is the increasing interaction of people through the growth of the international flow of money, ideas and culture. Globalization is primarily an economic process of integration which has social and cultural aspects as well. It involves goods and services, and the economic resources of capital, technology and data. Advances in the means of transport (such as the steam locomotive, steamship, jet engine, and container ships) and in telecommunications infrastructure (including the rise of the telegraph and its modern offspring, the Internet and mobile phones) have been major factors in globalization, generating further interdependence of economic and cultural activities.

A tax (from the Latin taxo) is a mandatory financial charge or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization in order to fund various public expenditures. A failure to pay, or evasion of or resistance to taxation, is punishable by law. Taxes consist of direct or indirect taxes and may be paid in money or as its labour equivalent. Most countries have a tax system in place to pay for public/common/agreed national needs and government functions: some levy a flat percentage rate of taxation on personal annual income, some on a scale based on annual income amounts, and some countries impose almost no taxation at all, or a very low tax rate for a certain area of taxation. Some countries charge a tax

both on corporate income and dividends; this is often referred to as double taxation as the individual shareholder(s) receiving this payment from the company will also be levied some tax on that personal income.

Free trade is a policy followed by some international markets in which countries' governments do not restrict imports from, or exports to, other countries. Free trade is exemplified by the European Economic Area and the Mercosur, which have established open markets. Most nations are today members of the World Trade Organization (WTO) multilateral trade agreements. However, most governments still impose some protectionist policies that are intended to support local employment, such as applying tariffs to imports or subsidies to exports. Governments may also restrict free trade to limit exports of natural resources. Other barriers that may hinder trade include import quotas, taxes, and non-tariff barriers, such as regulatory legislation.

The anti-globalization movement, or counter-globalisation movement is a social movement critical of economic globalization. The movement is also commonly referred to as the global justice movement alter-globalization movement, anti-globalist movement, anti-corporate globalization movement or movement against neoliberal globalization.

Participants base their criticisms on a number of related ideas. What is shared is that participants oppose large, multinational corporations having unregulated political power, exercised through trade agreements and deregulated financial markets. Specifically, corporations are accused of seeking to maximize profit at the expense of work safety conditions and standards, labor hiring and compensation standards, environmental conservation principles, and the integrity of national legislative authority, independence and sovereignty. As of January 2012, some commentators have characterized changes in the global economy as "turbo-capitalism".

Capital flight, in economics, occurs when assets or money rapidly flow out of a country, due to an event of economic consequence. Such events could be an increase in taxes on capital or capital holders or the government of the country defaulting on its debt that disturbs investors and causes them to lower their valuation of the assets in that country, or otherwise to lose confidence in its economic strength.

This leads to a disappearance of wealth, and is usually accompanied by a sharp drop in the exchange rate of the affected country—depreciation in a variable exchange rate regime, or a forced devaluation in a fixed exchange rate regime.

This fall is particularly damaging when the capital belongs to the people of the affected country, because not only are the citizens now burdened by the loss in the economy and devaluation of their currency, but probably also, their assets have lost much of their

nominal value. This leads to dramatic decreases in the purchasing power of the country's assets and makes it increasingly expensive to import goods and acquire any form of foreign facilities, e.g. medical facilities.

Policy drivers

Investment policy in many nations is tied to immigration policy, either due to a desire to prevent **human capital flight** by forcing investors to keep local assets in local investments, or by a desire to attract immigrants by offering passports in a **safe haven nation**, e.g. Canada, in exchange for a substantial investment in a business that will create jobs there. A frequent criticism of such joint immigration-investment policy is that they encourage **organized crime** by providing incentive for **money-laundering** and safe places for "bosses" to move to when the heat rises in their home country.

Human capital flight refers to the emigration of highly skilled or well-educated individuals. The net benefits of human capital flight for the sending country are sometimes referred to as a "brain gain" whereas the net costs are sometimes referred to as a "brain drain".

Research shows that there are significant economic benefits of human capital flight both for the migrants themselves and those who remain in the country of origin. It has been found that emigration of skilled individuals to the developing world contributes to greater education and innovation in the developing world. Research also suggests that emigration, remittances and return migration can have a positive impact on democratization and the quality political institutions in the country of origin. Claims of a "brain drain" remain largely unsupported in academic research, with some scholars describing it as a "myth".

Safe haven

A place of safety or refuge.
A protected zone in a country, especially one designated for members of an ethnic or religious minority.
An investment that would lose little of its value in the event of a stock market crash.
A financially secure offshore bank or country during times of extreme uncertainty, or when domestic banks are suspected of becoming insolvent.
The hours of the day when it is permissible for broadcasting radio stations in the United States to broadcast profanity over radio waves without fear of retribution from the FCC.

Organized crime is a category of transnational, national, or local groupings of highly centralized enterprises run by criminals who intend to engage in illegal activity, most commonly for money and profit. Some criminal organizations, such as terrorist groups, are politically motivated. Sometimes criminal organizations force people to do business with them, such as when a gang extorts money from shopkeepers for so-called

"protection". Gangs may become disciplined enough to be considered organized. A criminal organization or gang can also be referred to as a mafia, mob, or crime syndicate; the network, subculture and community of criminals may be referred to as the underworld. European sociologists (e.g. Diego Gambetta) define the mafia as a type of organized crime group that specializes in the supply of extra-legal protection and quasi law enforcement.

Money laundering is the process of transforming the profits of crime and corruption into ostensibly "legitimate" assets. In a number of legal and regulatory systems, however, the term money laundering has become conflated with other forms of financial and business crime, and is sometimes used more generally to include misuse of the financial system (involving things such as securities, digital currencies, credit cards, and traditional currency), including terrorism financing and evasion of international sanctions. Most anti-money laundering laws openly conflate money laundering (which is concerned with source of funds) with terrorism financing (which is concerned with destination of funds) when regulating the financial system.

Some countries define money laundering as obfuscating sources of money, either intentionally or by merely using financial systems or services that do not identify or track sources or destinations. Other countries define money laundering in such a way as to include money from activity that would have been a crime in that country, even if the activity was legal where the actual conduct occurred.