

The Impact of International Trade and Globalization on Economic Growth, Employment, and Income Distribution

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Abstract. This essay delves into the profound impact that globalization and international trade have on economic growth, employment, and income distribution. By examining the case of DJI, a prominent Chinese company that has achieved significant success on the international stage, we gain insights into how local firms can expand their influence beyond domestic markets. DJI's rise as a global leader in the drone industry not only showcases its innovative capabilities but also serves as a catalyst for other Chinese companies aspiring to enter international markets. This phenomenon highlights the importance of globalization in fostering economic dynamism, as companies like DJI pave the way for increased competition, technological advancements, and job creation on a global scale. Moreover, the essay explores the reasons why international trade and globalization are crucial drivers of economic growth. By opening up markets and enabling the free flow of goods, services, and ideas across borders, globalization helps economies to capitalize on comparative advantages, leading to more efficient production and resource allocation. This, in turn, boosts overall economic output, improves living standards, and contributes to a more equitable distribution of wealth. Through the lens of DJI's success, the essay underscores the symbiotic relationship between international trade, globalization, and sustained economic growth.

Keywords: International Trade; Globalization; Economic Growth.

1. Introduction

International trade, also referred to as global trade, encompasses the exchange of goods and services across borders, involving both imports and exports. Trade on a global scale serves to optimize domestic production factors, rebalance international supply and demand dynamics, restructure economies, and bolster fiscal revenues. When discussing international trade, it is essential to consider the concept of globalization. This term encapsulates not only a notion but also a transformative process shaping human society. While various definitions of globalization exist, it broadly denotes the deepening global interconnections, the advancement of human life on a global scale, and the growing global awareness. Nations increasingly rely on one another in politics, economics, and trade, leading to the compression of the world and the rise of a global perspective.

The history of international trade and globalization is a complex and dynamic process involving centuries of political, economic and cultural change. The early history of international trade dates back to 3000 AD between Mesopotamia and the Indus Valley; And the Silk Road, an ancient trade route linking China, India, Central Asia and Europe. From the 15th century to the 17th century, with the opening of the Great Age of navigation, mankind first discovered new shipping routes in Europe, Asia, America and Africa, opening a new era of globalization. Another major historical turning point was the two World Wars, in which international trade was severely disrupted, but post-war reconstruction led to a higher economic recovery. In 1944, the Bretton Woods Conference established the International Monetary Fund (IMF) and the World Bank, stabilizing the international financial system. The signing of the General Agreement on Tariffs and Trade (GATT) in 1947 promoted global trade growth by reducing tariffs and trade barriers

1.1. The Current State of International Trade and Globalization

Current State of International Trade: The main instruments driving regional economic integration are Regional Trade Agreements (RTAs) such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Despite the impact of the COVID-19 pandemic, the overall trend remains positive, with the share of service trade gradually increasing, particularly in digital services and intellectual property trade.

Current State of Globalization: Globalization can be categorized into economic, digital, and financial globalization. It has facilitated the transnational flow of goods, capital, technology, and labor. Meanwhile, advances in information technology have accelerated the growth of the digital economy and e-commerce. Online shopping, cross-border e-commerce, and digital services have become vital components of the global economy.

1.2. Research Objectives and Significance

This paper aims to explore the impact of international trade and globalization on economic growth, employment, and income distribution, and to analyze the effectiveness of trade policies and agreements.

1.3. Research Methods and Structure

Empirical analysis method: Using data to analyze the relationship between trade and globalization level and economic growth, employment and income distribution in different countries or regions in different time periods. Study changes in time in a single country or region, using time series to capture the relationship between variables.

Individual level microdata analysis: Analyze the impact of international trade and globalization on microeconomic variables such as firm productivity, labor market participation, and income levels using firm, household, or individual level data.

2. Literature Review

International trade and globalization have been central topics in economic studies because of their significant impact on economic growth, employment, and income distribution. The mainstream consensus in the literature is that globalization generally contributes positively to economic growth through trade liberalization, as it promotes efficiency, drives innovation, and facilitates access to global markets. For example, studies have shown that economic globalization combined with financial development has played a key role in promoting economic growth [1]. Similarly, the role of trade openness in driving economic growth, particularly in Asian economies, has been highlighted in various empirical studies [2]. However, the benefits of globalization have not been evenly distributed among countries. High-income countries tend to benefit more from globalization than low-income countries, leading to significant differences in economic development [3]. Moreover, while globalization promotes growth, it can also lead to negative externalities, including economic volatility and environmental degradation [4].

The effects of globalization on employment are equally complex. On the one hand, trade openness can create jobs by opening new markets and intensifying competitive pressure, thus driving innovation and productivity gains [5]. Export diversification, as a key factor in globalization, particularly in developing countries, is associated with increased employment opportunities [6]. On the other hand, globalization can lead to job losses, especially in industries exposed to international competition. In advanced economies, globalization tends to increase the demand for skilled labor while reducing the demand for unskilled labor, leading to polarization in the labor market [7]. This trend is particularly evident in economies undergoing rapid industrialization and technological change, with firms increasingly relying on capital-intensive production processes [8].

The impact of globalization on income distribution is one of the most hotly debated issues in the literature. Some studies suggest that globalization has increased income inequality, and that trade openness is associated with a widening income gap between developed and developing countries [9]. The mechanisms behind this trend include changes in labor market dynamics, capital flows, and differences in labor bargaining power across countries [10]. However, other studies argue that the effects of globalization on income inequality are not uniform and depend on a country's stage of development, institutional framework, and trade policies [11]. In some cases, trade liberalization may reduce income inequality if effectively managed through targeted social and economic policies [12]. In addition, export diversification can mitigate the adverse effects of globalization on income distribution by enhancing economic resilience and providing more equitable opportunities for growth [13-15].

In summary, the literature on the effects of international trade and globalization presents a complex and nuanced picture. While globalization can drive economic growth and create jobs, it also presents significant challenges, especially in terms of income inequality and job loss. The outcomes of globalization are highly context-dependent, influenced by a country's level of development, economic policies, and labor market structure. Future research should continue to explore these dynamics, focusing on the role of policy interventions in mitigating the adverse effects of globalization while maximizing its benefits. This balanced approach is essential to ensure that globalization contributes to sustainable and inclusive economic development.

3. DJI: A Case Study of a Born Global Enterprise

DJI is a technology company in the People's Republic of China, which mainly produces and develops civilian drones, aerial photography equipment, photography and other optical systems and vehicle components. This article will analyze how DJI, as a typical born global enterprise, stands at the top of the global flight industry after 13 years of development. With its outstanding technical strength, Xinjiang Innovation has achieved a breakthrough in the consumer UAV market "from 0 to 1", and redefined the innovation connotation of "Made in China" with first-class technical products; At the same time, the company has built a network channel based on the official website, and attaches equal importance to major domestic and overseas e-commerce platforms. The combination of direct sales and authorized distribution enables the company to win sustainable competitiveness in the global market.

3.1. International Trade

In 2006, DJI's founder, Wang Tao, graduated from the Hong Kong University of Science and Technology, and in the same year, he co-founded DJI Innovations with two classmates. Initially, the company operated out of a modest residential space in Lianhua North, Shenzhen, with only five or six employees. Due to the rudimentary working environment, attracting specialized talent was challenging, and within two years, the two co-founders had left. However, Wang Tao persisted and successfully developed DJI's first relatively mature helicopter flight control system, the XP3.1, which was launched in 2008. Unlike many other companies, DJI adopted a unique path of international expansion, first establishing its brand in foreign markets before returning to the domestic market, securing a significant share of the drone market in Europe and the United States before entering the consciousness of Chinese consumers.

During the early years when DJI focused on developing flight control systems for model aircraft, overseas model aircraft forum users and related film industry professionals became the primary consumer base for DJI products. After the launch of the "Phantom" series, DJI's products began to be used in Hollywood and Silicon Valley, with many well-known celebrities and directors becoming the first users of DJI drones. Subsequently, DJI drones started appearing frequently in American television dramas and programs, such as *Homeland*, *Modern Family*, and *The Big Bang Theory*, building a strong reputation within the photography and film circles. In 2015, DJI partnered

with the American Broadcasting Company (ABC) to live-stream the eruption of an Icelandic volcano using drones, marking a milestone in DJI's brand promotion in North America. DJI's frequent appearances in numerous major news events, in ways that created awe-inspiring moments, have changed people's perceptions of drones and garnered recognition from overseas users.

Moreover, Europe and the United States have the world's largest and most affluent consumer base for smart hardware products. Compared to other countries and regions, these consumers were early adopters of smart hardware, with a higher level of acceptance, which significantly reduced DJI's costs of "re-educating the market" overseas. Overall, in this niche industry, the overseas market matured earlier, while the Chinese market lagged behind, which was the primary reason DJI initially focused on overseas markets. Currently, DJI has segmented its overseas target markets into three levels: the primary market in the United States, the secondary market in Europe, and the tertiary markets in Australia and Asia. DJI employs differentiated expansion strategies tailored to these regions. For the mature North American market, DJI's main objective is to promote purchases. In the secondary market, primarily the United Kingdom, DJI focuses on expanding its reach in Germany, France, and other markets, strengthening the promotion of customized products to drive conversion. The tertiary markets are still in the development stage, with the main goal being to increase market awareness and cover as many audiences as possible.

After establishing a mature presence in overseas markets, DJI turned its attention to the domestic market. As Chinese consumers' awareness of drones increased and the demand for shooting equipment grew due to the rapid development of the self-media market, China became DJI's fastest-growing market by 2018. In terms of international trade strategy, DJI's approach of expanding from Europe and the United States before returning to China, based on accurate market insights, enabled DJI to quickly complete its global expansion. According to data from Drone Industry Insights, as of March 2021, DJI held a commanding 76.1% market share in the U.S. drone market, with Intel, the second-ranking company, holding only a 4.1% share, indicating DJI's absolute dominance.

DJI represents one of the few Chinese companies that have achieved innovation and bold market positioning in the technology industry. This is a classic and highly valuable case study, as it not only exemplifies the globalization of Chinese enterprises but also illustrates the direct relationship between international trade and global economic growth.

3.2. Theory of Comparative Advantage

Comparative advantage, a fundamental concept in economics, explains why trade benefits both parties when production occurs at a lower opportunity cost. Comparative advantage can be divided into static and dynamic forms. When one party (an individual, company, or country) incurs a lower opportunity cost in production than another, it has a comparative advantage in that production. In international trade, the essence of this concept lies in exchanging products of relative advantage between countries. For instance, China has lower labor costs while maintaining high product quality, which leads to lower pricing for Chinese products. This gives China a clear relative advantage, allowing for win-win outcomes in international trade.

Similarly, when DJI released its first product, the Phantom 1, its relatively low pricing and the introduction of a new consumer-grade technology created a significant impact in overseas markets. Within a short period, DJI became popular in the American photography and film circles, with many prominent American celebrities and directors becoming enthusiastic fans of DJI drones

4. The Impact of International Trade on Employment

Labor market theory, also known as the dual labor market theory, posits that the labor market in modern capitalist economies is divided into a "primary sector" and a "secondary sector" due to the differences in "market power" between large monopoly firms and small competitive enterprises. The primary sector consists of workers with appropriate credentials and personal qualities, who compete for positions in companies that offer high wages. In contrast, the secondary labor sector is made up

of workers lacking credentials and with lower personal qualities, who compete for positions in smaller enterprises that offer lower wages and poorer working conditions.

According to the Heckscher-Ohlin model (H-O model), as international trade expands and globalization becomes more widespread, in labor-intensive countries, both wages and employment rates are expected to rise. Conversely, in capital-intensive countries, the assets of entrepreneurs and capital holders are likely to increase.

Analyzing the chart, the overall unemployment rate from 2018 to 2022 shows an upward trend. On a more detailed level, during the period of 2018-2019, the youth unemployment rate exhibited fluctuations, but overall, compared to the data from January 2018, the total unemployment rate decreased. Regarding adult unemployment, adults occupy a significant portion of the labor market, and this large base kept the unemployment rate relatively stable during the pre-pandemic period, with no significant increase or decrease.

However, from 2020 to 2022, during the pandemic, companies engaged in extensive layoffs, significantly impacting import and export goods, as shown in the chart. The initial phase of the pandemic had a major effect on international trade, leading to a contraction in trade volume. As the scale of trade shrank, companies faced operational difficulties and resorted to layoffs to reduce costs, which in turn had a notable impact on both employment and unemployment rates.

4.1. The Impact of International Trade on Income Distribution

Income distribution theory in bourgeois economics addresses the sources and allocation of income. In bourgeois economics, income is considered to be jointly created by various production factors. Therefore, the services provided by the owners of these production factors during economic activities are regarded as the source of their income. Distribution refers to the income each factor owner receives after providing their services, resulting in a share of the total income being attributed to them.

International trade, conducted according to the principle of comparative advantage, allows different countries to specialize in different industries. This specialization may either alleviate or exacerbate income inequality. For instance, in developed countries, domestic low-skilled workers may face unemployment or wage reductions, while high-skilled workers may benefit from globalization.

This chart reflects the substantial reduction in international trade during the pandemic and its varying impact on different segments of the workforce, including but not limited to their income and employment rates. As international trade rebounded, the recovery rate for high-skilled labor outpaced that of low-skilled labor, further widening the income distribution gap. It is evident that the income of low-skilled workers did not proportionally increase with the growth of international trade.

4.2. The Role of Multinational Corporations

Multinational corporations (MNCs) are sizable international enterprises comprised of economic entities from two or more countries. They are involved in diverse business activities such as production and sales. MNCs, typically originating from developed capitalist nations, are essentially monopolistic entities that extend their presence globally through foreign direct investment. They engage in international production and business operations by establishing branches or subsidiaries worldwide. According to the United Nations Commission on Transnational Corporations, MNCs should exhibit the following characteristics:

- 1) An MNC is a business enterprise with entities operating in two or more countries, regardless of the legal forms it adopts or the economic sectors in which it operates.
- 2) Such an enterprise has a central decision-making system, which ensures a unified policy that may reflect the company's global strategic objectives.

5. Economic Impact of Multinational Corporations

Transnational corporation refers to a large international enterprise composed of economic entities of two or more countries and engaged in production, sales and other business activities. Transnational corporation mainly refers to the monopoly enterprises of developed capitalist countries, which set up branches or subsidiaries around the world through foreign direct investment and take their own countries as their bases. A monopoly enterprise engaged in international production and business activities. According to the United Nations Commission on Transnational Corporations, a transnational corporation should have the following three elements: first, a transnational corporation is a business enterprise composed of entities that operate in two or more countries, regardless of the legal form in which it operates or the economic sector in which it operates; second, such an enterprise has a central decision-making system; There are therefore common policies, which may reflect the global strategic objectives of the enterprise, and third, the various entities of such an enterprise share resources, information and responsibilities.

The economic impact of transnational corporations on host and home countries.

Through global trade profits, multinational corporations will return funds to their home countries, promote economic growth, improve trade balance, bring a certain amount of foreign currency reserves, but also bring back global technology and market information, and promote technological development and knowledge accumulation in the home country. At the same time, the influence of multinational corporations on the host is also very significant. The essence of international trade is the exchange of comparative advantages. For the host country, multinational companies can provide technology, commodities and even labor force with lower cost than their own countries, which promotes local economic growth and employment rate.

However, this often comes with many challenges. For the host country, the existence of multinational companies is no different from that of the biggest competitors of similar local enterprises. When multinational companies bring updated technology and knowledge reserves, the competitiveness of local enterprises will decline, which will reduce the turnover of local enterprises and lead to further cost cutting to protect profits, which may lead to the closure of some small enterprises. Employment is down. For home countries, this globalized business model may lead to fewer low-skilled manufacturing jobs, although higher-value jobs may remain in home countries.

6. The Effectiveness of Trade Policies and Trade Agreements

There are several types of trade policies: free trade policy, protective trade policy, managed trade policy, industrial policy, anti-dumping and countervailing policy, and trade facilitation policy. The purpose of these trade policies is to protect enterprises from reasonable, legal and compliant international trade. Under the reasonable premise, we should maximize the economic level, increase national wealth and improve international competitiveness.

Among the many trade policies, the most important ones are the free trade policy and the protection trade policy. The policy is mainly reflected in the reduction of import tariffs and trade barriers, making import prices lower and enterprises can more easily enter the international market share. At the same time, trade policies will improve the export competitiveness of enterprises, such as the Regional Comprehensive Economic Partnership Agreement (RCEP), which provides better market access conditions for Chinese enterprises. For example, the North American Free Trade Agreement (NAFTA) allows businesses to move freely between the United States, Mexico, and Canada, thereby optimizing capital allocation.

International trade and globalization play a vital role in the global economic system. They provide strong support for economic growth by facilitating cross-border flows of goods, services, capital, technology, and labor. In particular, developed countries, with their advantages in capital, technology and market, are often able to gain more benefits from the process of globalization. However, the process is not equal, and while developing countries enjoy the growth opportunities brought about by

globalization, they also face serious challenges, such as declining employment opportunities, widening income disparities, and social problems brought about by industrial restructuring.

7. Conclusion

The positive effects of globalization are reflected in its ability to increase economic efficiency, promote innovation, and expand access to global markets through trade liberalization. However, this global integration has also brought negative effects that cannot be ignored, including increased economic volatility, environmental degradation, and social inequality caused by globalization. With the expansion of global trade, the demand for highly skilled workers is increasing, which not only promotes the booming of technology-intensive industries, but also intensifies the differentiation of the labor market. Relatively speaking, low-skilled workers face greater risks of job instability and income stagnation amid increased global competition.

At the level of income distribution, globalization tends to increase income inequality within and between countries. High-income groups in developed countries tend to benefit more because they are better able to take advantage of the opportunities offered by globalization; In developing countries, while some industries have grown, the plight of large numbers of low-skilled workers has become more difficult, leading to a greater imbalance in the distribution of wealth. However, through effective trade policies, social protection measures, and economic regulation, governments have the ability to mitigate these negative effects. By diversifying exports, making economies more resilient, and implementing more equitable social policies, income inequality can be reduced to some extent and economic growth can be inclusive.

Although the process of globalization inevitably brings some problems, its positive impact on global economic growth, employment and income distribution cannot be ignored. When formulating economic and trade policies, policymakers need to take into account the multiple impacts of globalization and adopt more prudent and flexible responses to maximize the positive effects of globalization while effectively addressing the challenges it brings. Such a strategy would not only help boost national competitiveness, but also ensure that the dividends of globalization reach a wider range of people, ultimately moving the global economy toward a more balanced and sustainable development path.

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