FACTFILE:
GCSE ECONOMICS
UNIT 3.5
GLOBALISATION

Rewarding Learning

Globalisation

Learning Outcomes

Students should be able to:

- demonstrate understanding of globalisation;
- analyse the factors that have contributed to globalisation;
- demonstrate understanding of globalisation and analyse the moral, ethical, social and cultural issues involved.

Definition

Globalisation has many definitions but all tend to refer to increasing interdependence between world economies, which increasingly depend upon other economies for trade and are also significantly affected by economic and political events in other countries.

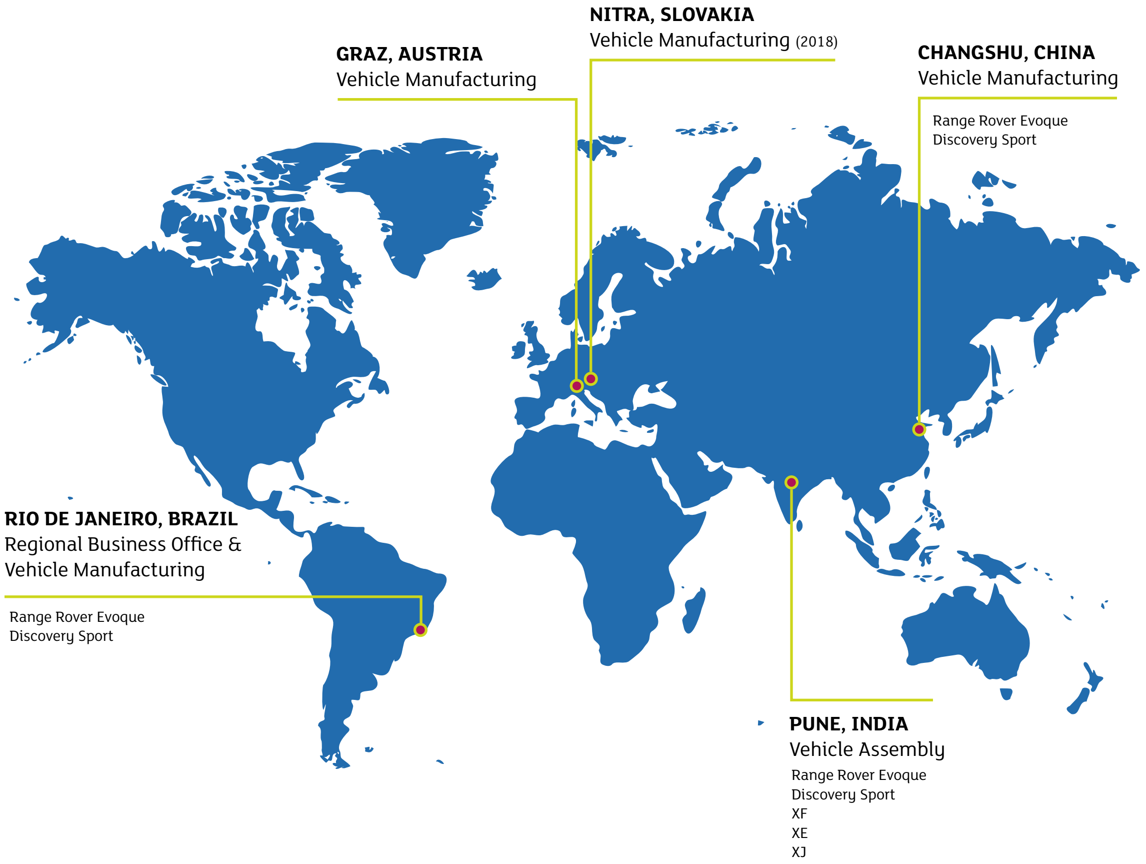
Factors that have contributed to globalisation

Several factors have contributed to globalisation:

- Faster transport;
- Improved telecommunications, ICT, Internet etc.;
- Increased trading across national borders by multinational companies (MNCs), e.g. Nike, General Motors, Daewoo, Jaguar Land Rover (see Figure 1);
- Increased investment across borders;
- The use of brand names, trademarks and advertising across the world, e.g. Nike, MacDonalds, Coca-Cola (the term Coca-Colonisation has been used to criticise this trend);
- Integration of production across national borders, e.g. cars and computers manufactured by combining parts made in several different countries;
- Large-scale movement of finance for trade and investment;
- Cross-border mergers, e.g. Walmart/Asda, Tata/British Steel/Jaguar Land Rover;
- Reduction in protectionism, e.g. because of the World Trade organisation.

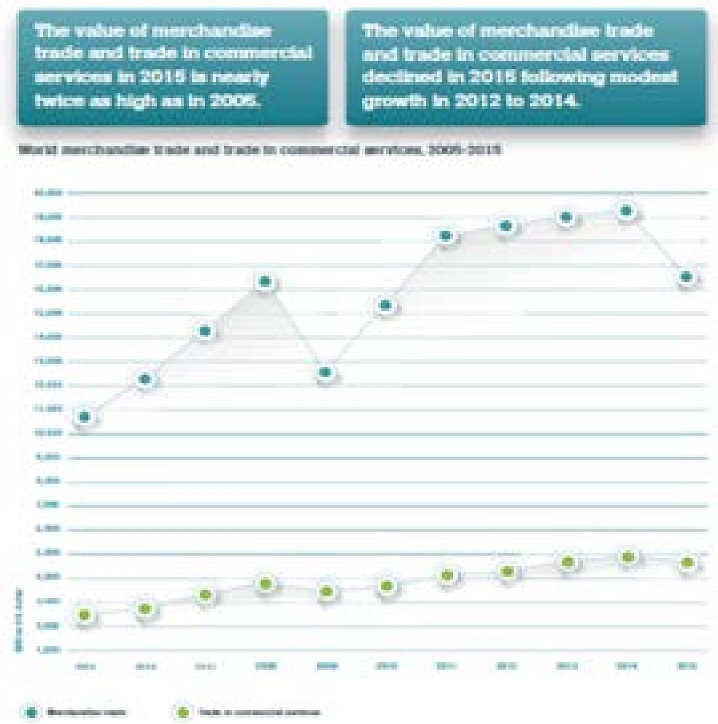
Figure 1 – Jaguar Land Rover (JLR)

JLR is a former UK-owned business It sells in over 150 countries and exports 4 out of every 5 UK-produced vehicles. It is currently owned by Tata, an Indian multinational company.



The result of the factors causing globalisation has been a massive increase in trade across the world, as shown in Figure 2.

Figure 2 – Growth in world trade in goods and services 2005–15



Source: WTO

Possible advantages of globalisation

The potential advantages of globalisation to developing countries are basically those of free trade, e.g.:

- Increased investment from abroad, e.g. by MNCs;
- Technology transfer as a result of international investment. Technology transfer happens when foreign businesses bring new production methods such as specialised machinery and equipment, ICT skills and marketing methods into a country. It is often mentioned as one of the benefits to developing countries of having MNCs invest in their economies;
- Wider world export markets because of reduced protectionism. For example average tariffs on goods fell from over 20% of the price in 1990 to less than 5% in 2015;
- Increased competition within national borders and in international trade. This should lead to lower prices and greater consumer choice and eventually to higher living standards.

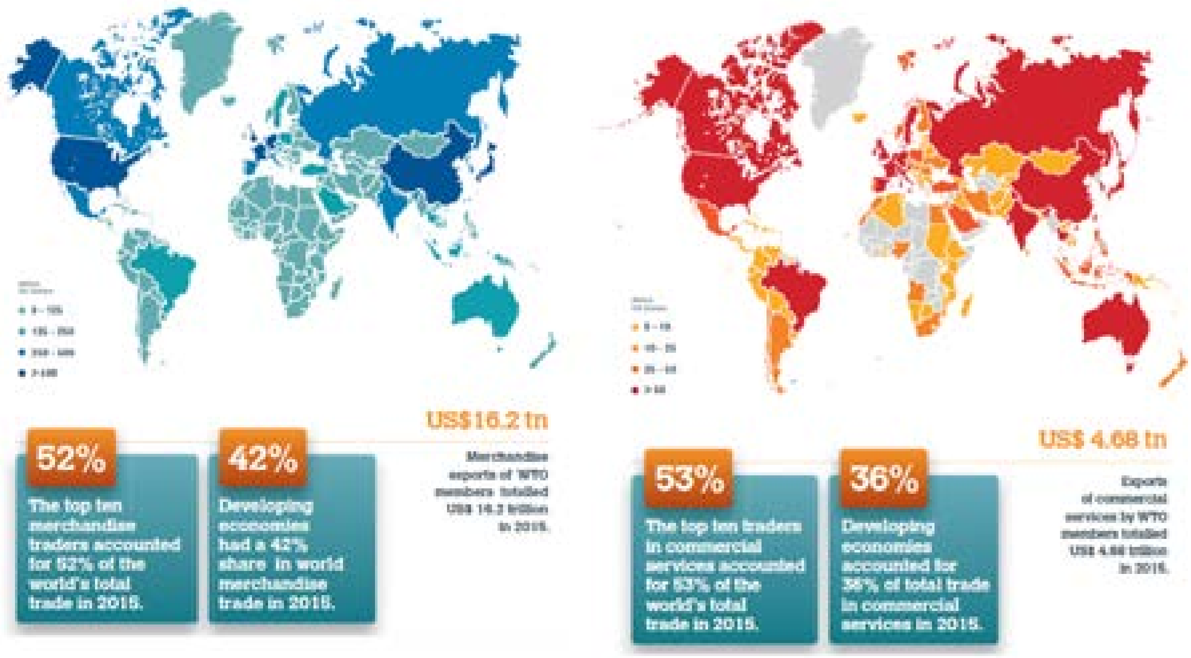
Figure 3 – Competition and living standards

Possible disadvantages of globalisation

These are largely the result of obstacles to development which make it difficult for developing countries to compete with richer industrial countries. Claimed disadvantages are:

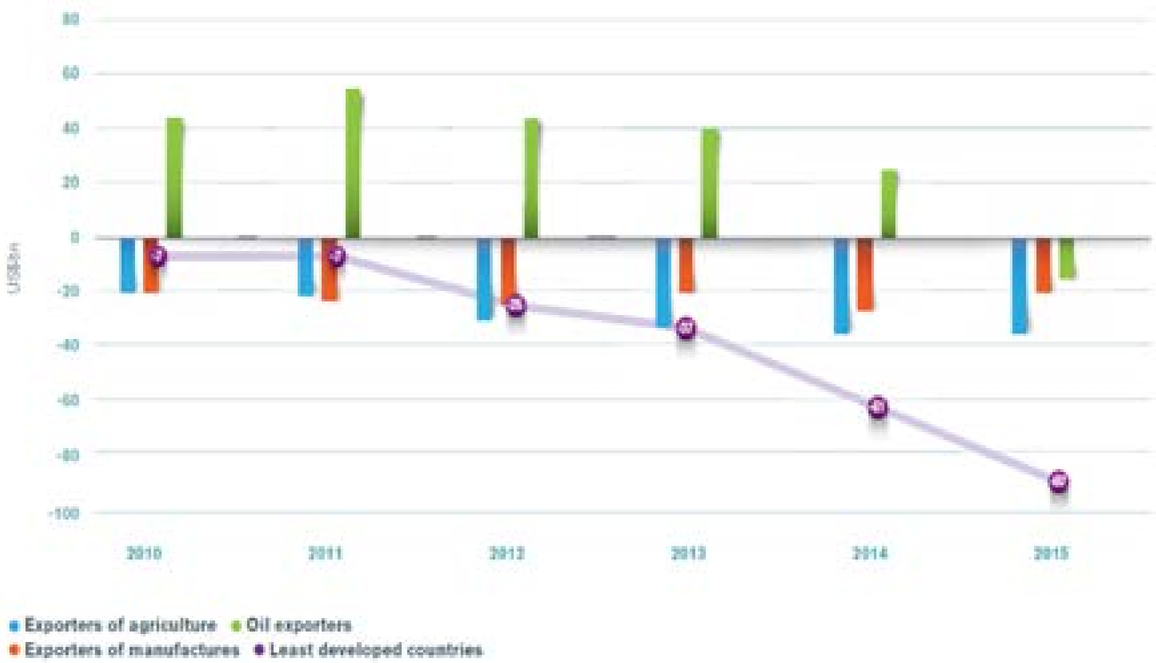
- Producers in poorer countries do not have the finance, technology or labour skills to compete with MNC's or other companies in the developed world. A small number of rich countries dominate world trade, as can be seen in Figure 4;
- Abolishing protectionism makes developing countries more vulnerable to foreign competition. Their domestic producers may face competition from much larger foreign businesses. Global companies such as Nike and McDonalds use persuasive marketing to encourage people in poor countries to 'waste money' on branded products at the expense of domestic products;
- MNC's are so wealthy and powerful that they cannot be controlled by national Government, e.g. they can move goods and capital around the world, close up factories in poor countries, ignore environmental restraints etc.

Figure 4 – Value of exports of goods and services by country 2015



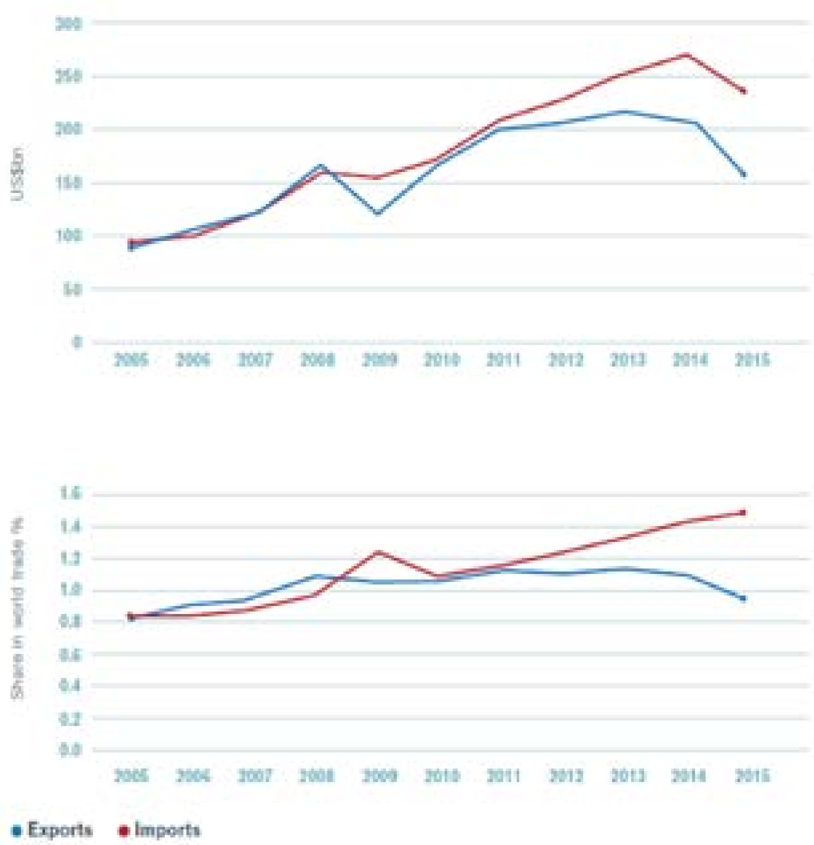
Source: WTO

Figure 5 – Trade balance of less developed countries (LDCs) 2010–15



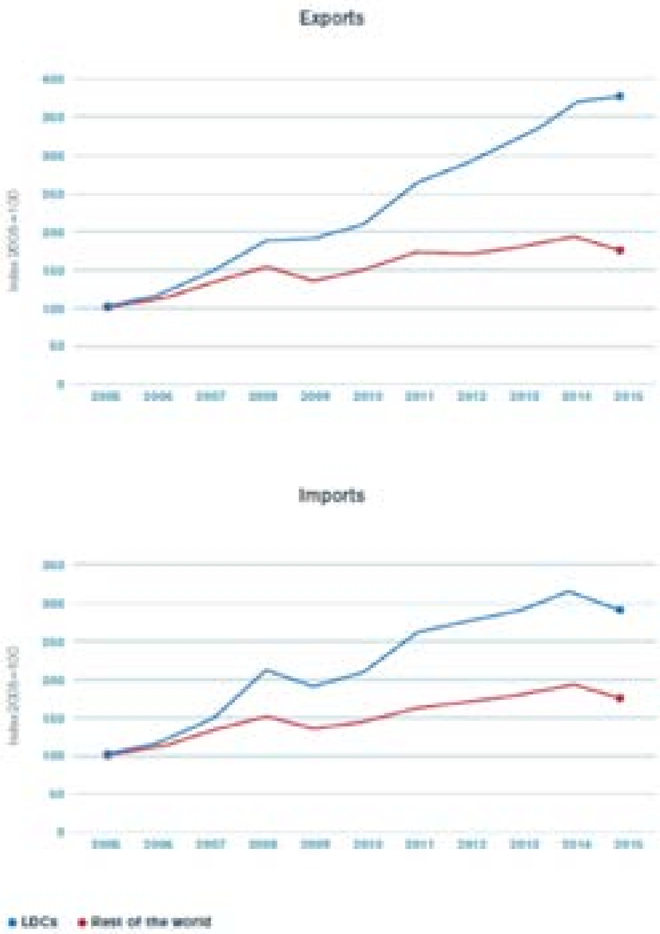
Source: WTO

Figure 6 – Less developed countries (LDCs) trade in goods



Source: WTO

Figure 7 – Less developed countries (LDCs) trade in services



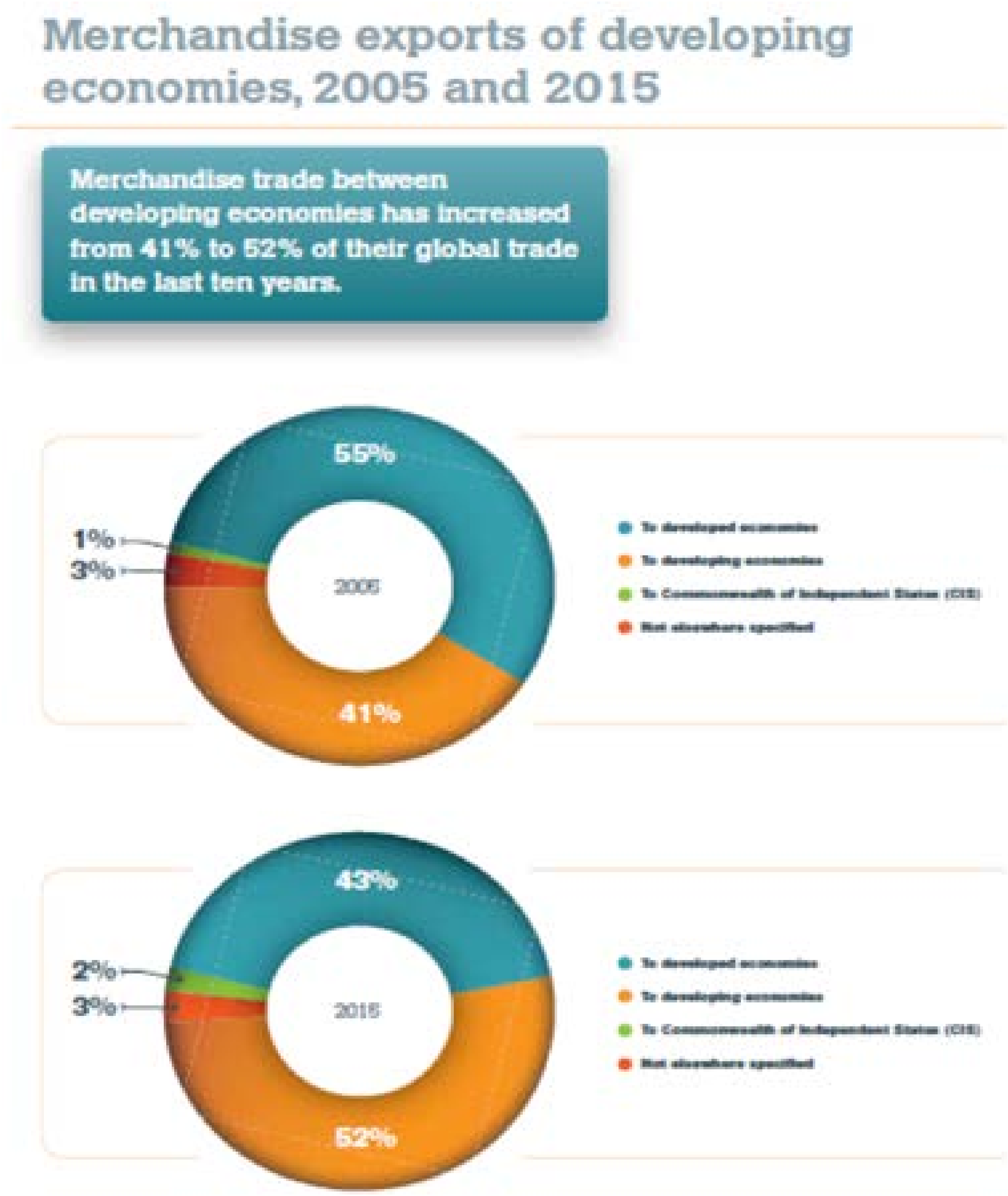
Source: WTO

Table 1 – Percentage annual change in Real GDP 2012–17

	2012	2013	2014	2015	2016	2017 forecast
All countries	2.2	2.2	2.5	2.4	2.4	2.7
Developed economies	1.1	1.0	1.7	1.9	1.8	2.0
Developing economies	4.7	4.5	4.2	3.4	3.5	4.2

Source: WTO

Figure 8 – Exports of developing economies 2005 and 2015



Source: WTO

Activity – Globalisation and developing economies

One of the often-expressed concerns about globalisation is that it makes developing economies worse off as they cannot compete with the richer and more established developed economies. It is said that this leads to increasing inequality between the richest and poorest countries.

Using the data above and your own research you should be able to prepare a list of points for and against the argument that globalisation is bad for developing economies.

You should remember that the term 'developing economies' covers a very wide range of countries at different stages of development. For example the economies of South America are much different from those in sub-Saharan Africa. Similarly developing countries which are oil-exporters tend to be better-off than those which depend mainly upon agricultural products.

If you are able to investigate and quote examples of particular countries it will improve your understanding of globalisation and help you to develop your answers in examinations.

One way to set out your points might be in a table such as that below:

Globalisation – 'Good' or 'Bad'?	
'Good' for LDCs	Point 1, e.g. technology transfer
Evidence/examples	
Evaluation	
	Point 2 etc.
'Bad'	Point 2, e.g. environmental damage
Evidence/examples	
Evaluation	
	Point 2 etc.