Globalisation Basics

In the last few decades it's become a lot easier to communicate with people around the world, and a lot easier to move around. This is causing globalisation, and it affects pretty much everyone. Including you. Yes, you... with the hair...

Globalisation is the Process of Countries becoming more Closely Integrated

Globalisation rocks Jamie-Lou's world.

1) Globalisation is the process of the world's **economies**, **political systems** and **cultures** becoming more strongly **connected** to each other.
2) If there was **no** globalisation there wouldn't be any **interaction** between different countries. If there was **complete** globalisation, the whole world would act like **a single community**. The real world is somewhere **in between**, but countries are becoming more and more **closely integrated**.
3) Globalisation is caused by the **movement** of **capital** (money that's invested, see below) and **people** between different countries, as well as **businesses** locating their operations and selling their **products** and **services** in more countries.
4) People have been **moving between countries** and **international trade** has been going on for ages, but most people think that globalisation as we know it today really started to **accelerate** in the **1980s**. Here are a few reasons why:

- Improvements to **telephone networks** have made **global communications** cheaper and easier. **Mobile** and **satellite phones** allow people to communicate even when they don't have access to a telephone line.
- The development and rapid spread of **e-mail** and the **internet** allow large amounts of information to be exchanged instantly across the globe. This makes working across long distances very efficient.
- **Global transport** has been improved by the development of high speed rail networks, larger and faster ships, larger cargo planes and low cost airlines. These developments have made it easier for **people** and **goods** to move quickly and cheaply around the world. They have also meant that companies can get **supplies** from all over the world, and **sell their products** to people all over the world.

There are Four Factors which Promote Globalisation

Flows of Capital

1) Capital is money that's **invested** — it's spent on something so that you get an **income** or **increased profit** from it.
2) Historically, capital was mostly invested **within a country**, e.g. companies would expand by doing things like building new factories, or setting up new branches within their country of origin.
3) Over time though, the amount of capital invested in **foreign countries** has increased — this is **Foreign Direct Investment** (FDI). E.g. global FDI increased from $3000 billion in 1996 to $12 000 billion in 2006.
4) Improvements in **information and communications technology** (ICT) have encouraged flows of capital round the world — it can **instantly** be moved around the world via the internet.
5) Increasing **flows of capital** are making the world more **interconnected**, e.g. most countries' economies are now **dependent** on flows of investment to and from other countries.

Have a peek at the next page (and below) for more on how companies divide up the parts of their business round the world.

Flows of Production

1) Historically, manufacturing industries were located in **more developed** countries.
2) The products being produced were also **sold** in the country where they were **made**.
3) In recent decades, manufacturing has **decreased** in **more developed countries**, e.g. the number of people employed in manufacturing in the UK fell from more than 5 million in 1985 to less than 3 million in 2009.
4) Lower labour costs overseas have caused many companies to **relocate** the production **side** of their business **abroad**, they then **import** the products to the countries where they're **sold**. E.g. the vacuum manufacturer Dyson moved the production and assembly part of its business to Malaysia in 2002, but the vacuums are still sold in the UK.
5) As a result of these changes, **international trade** in manufactured goods is **increasing**, e.g. the UK imported £200 billion of manufactured goods in 1990, and £550 billion in 2008.
6) Changing **flows of production** are making the world more **interconnected**, e.g. many of the manufactured products we now buy have been produced in other countries, and then imported to the UK.

Globalisation Basics

Flows of Services

1) Services are economic activities that **aren't** based around producing any **material goods**, e.g. banking and insurance.
2) Improvements in **ICT** have allowed services to become **global industries** in recent decades. Things like banking and insurance depend on **communication** and **transfer of information**. Improvements to ICT mean that services can **locate anywhere** in the world and still be able to serve the needs of **customers anywhere else** in the world.
3) During the 1970s and 1980s there was also **deregulation** (removal of rules to increase competition) and **opening up** of national financial markets to the rest of the world, e.g. in the USA and UK. This meant that it was made **easier** for banks and other financial institutions to **do business** in other countries.
4) Services can be split into **low level** (e.g. customer service) and **high level** (e.g. financial services). **High level services** tend to be concentrated in cities in **more developed countries** (e.g. London and New York). Companies are increasingly **relocating** low level services to **less developed countries** where labour is **cheaper**, e.g. call centres (see p. 116).
5) Increasing **flows of services** are making the world more **interconnected**, e.g. people are connected to other countries just through having a bank account — many banks are huge international organisations.

Flows of People

1) More people are **moving** to different countries, e.g. **international migration** has doubled since 1975.
2) Some people move because they **have to** (e.g. to escape conflict zones) but many people choose to move for **work**.
3) Some migrants are **highly skilled workers** (e.g. ICT and medical workers), moving to more developed countries where **wages** and **working conditions** are **better**. Others are **unskilled workers** who move to more developed countries to look for work because of **unemployment** or **poor wages** in their own countries.
4) Increasing **flows of people** between different countries is making the world more **interconnected**, e.g. people bring aspects of their **culture** with them when they move, and countries are connected together because people have **family** all over the world.

Marketing is Becoming More Global

1) Marketing is the process of **promoting** and **selling products** or **services**.
2) Nowadays, many products and services are sold **all over the world**, rather than just in the country where they are produced. So marketing has had to become **global**.
3) Global marketing involves treating the world as **one single market** (a fully globalised world, see previous page) and using **one marketing strategy** to advertise a product to customers all over the world.
4) Global marketing gives **economies of scale** — it is **cheaper** to have one marketing campaign for the whole world, rather than having a different campaign for every country.
5) Marketing needs to be **adapted** to regional markets though — different populations still have **different laws** and **cultural attitudes**, e.g. different countries have different laws and attitudes about consuming alcohol.

Practice Questions

Q1 What is globalisation?

Q2 Give one example of something that has caused globalisation to accelerate since the 1980s.

Q3 What is global marketing?

Exam Question

Q1 Discuss how changes in patterns of production have promoted globalisation. [10 marks]

magine by John Lennon — an ode to globalisation if ever I've heard one...

't believe me? Check out the lyrics... Let me simplify these two pages for you — basically globalisation makes some things in life easier... it's to talk to your pal in Argentina and easier to flog rubber ducks to your man in Hawaii. If only globalisation made it easier to pass exams...

Global Groupings and Development

Nations get together in groups for mutual benefit (and because everyone likes to have friends).

Nations Group Together for a few Different Reasons

1) Nations group together because it will **benefit** all of their **economies**:

- Groups can agree to **reduce barriers to trade** (e.g. import or export taxes, known as tariffs) between the member states, which helps to **increase** the **amount of trade** between members. For example, the USA, Canada and Mexico make up the North American Free Trade Agreement (NAFTA). They've agreed to abolish many tariffs which has increased trade and benefited all three economies.
- Being in a group where there's free trade between members also means there's a **larger market** for businesses, which allows them to **increase trade**.
- **Comparative advantage** — countries can **specialise** in producing the things they're good at making and trade for the things they're not good at making (it's easier to trade for all the different things a country needs, because trade is less restricted). **Production will increase** in each member country because they're concentrating on what they do **best**.

2) Nations group together because it can help to **promote development**:

Countries in a group can **work together** to tackle **development issues**, e.g. disease epidemics, poverty, education issues etc. This can benefit the **members** of a group, or the group can work together to tackle issues of **global concern**. For example, the UN is an international organisation with 193 member states. In 2000 it set eight Millennium Development Goals (MDGs), which highlighted the key global development issues and allowed progress in the development of lots of countries to be measured.

See page 138 for more on the MDGs.

3) Nations group together to **increase security** and **promote peace**:

Countries that are working together in a group are **less likely** to go to **war** with each other as it will badly affect their **economies** and **development** (see above). Countries in a group can also **agree policies** between them that increase **regional** and **global security**, e.g. the Association of South East Asian Nations (ASEAN) is a group of 10 countries that have made agreements to ban nuclear weapons.

There are Consequences to Global Groupings

Check out the next page for an EU case study...

Positive consequences

1) **Increased economic development** for the nations in a group, e.g. due to **increased trade** (see above).
2) Increased economic development can lead to **increased quality of life** for many people in a group.
3) The group can **provide support** for **declining regions** or **industries**, e.g. the EU's rural development policy gives funding to member states to be spent in rural areas to improve the rural economy and the quality of life of people living there.
4) Within some global groupings people looking for **work** can move freely **between member countries** to **find a job**.
5) There can be **better global representation** for smaller nations who join a larger group. E.g. some of the tiny islands of the Caribbean have a greater global presence because they're members of the **Caribbean Community** (CARICOM).
6) Reduced **risk of conflict** (see above) and **better international relations** between nations.
7) Also, groups of nations can **improve global security**, e.g. NATO (the North Atlantic Treaty Organisation) has an international force of soldiers who carry out various duties including peacekeeping in conflict zones.

Negative consequences

1) In some groups, decisions are made **centrally** so member states may **lose control** over some aspects of how they **run their country**.
2) Individual countries may **lose out** when they have to **share resources** with other member states, e.g. fishing grounds.
3) Trade agreements made within a group increase trade between member countries, but can **reduce trade** with countries **outside** the group. This is particularly damaging for **LDCs**, whose **development** can be affected by lost trade.
4) Sometimes being a member of a global group can **damage** a country's economy — **richer member states** may have to support **poorer member states** financially if they are in economic crisis, e.g. the UK contributed around £4 billion to the EU bailout of Portugal in 2011.

Global Groupings and Development

Case Study — *the European Union (EU)*

1) European nations first formed a group to help Europe to **recover** after the **Second World War**. Their aims were to **ensure peace** and improve **economic development** by making the countries more closely **integrated**.
2) This group has grown from **6 members** in 1957 to **27 members** in 2007. It was **named the EU** in 1993.
3) It's a closely integrated **economic** and **political** group. For example:
   - **Goods**, **services**, **people** and **money** can move **freely** between most member states without barriers.
   - 17 of the 27 members of the EU have adopted a **single currency** — the **Euro**.
   - Member states have agreed to have **common laws** and **policies** on things like agriculture and fisheries.
4) There are **positive** impacts of the EU:
   - **Trade has increased** between European countries. E.g. in 1970 just over 12% of the UK's GDP came from trade with European countries. After the UK joined the EU in 1973, this percentage increased rapidly — in 2002, around 23% of the UK's GDP came from trade with EU countries.
   - The **Euro** has made **trade easier** between some countries because there is no need to **exchange money**. Prices are more **consistent** because there is **no uncertainty** in exchange rates.
   - The EU **supports** some industries. E.g. the **Common Agricultural Policy (CAP)** includes **subsidies** for EU farmers and adds **import tariffs** and **quotas** on agricultural products from outside the EU. This gives farmers a reasonable standard of living, secures food supplies and ensures a good price for consumers.
   - Being in the EU gives members **increased security** from **external threats**. E.g. the EU counter-terrorism policy protects all member states from the threat of terrorism by measures such as introducing biometric passports to increase border security.
   - Most EU residents are **free** to **move around** the EU — they can **work** or **live** in most other EU countries.
5) There are also **negative** impacts of the EU:
   - **Joining** the EU can be **expensive**. To become an EU member state a country must meet **certain criteria**, e.g. high standards of environmental protection. Meeting these criteria can require a **lot of investment**.
   - Countries have to **share some resources** with other member states. For example, countries joining the **EU** come under the **Common Fisheries Policy**, which means their **fishing grounds** become **open** to fishing by **other member states**.
   - Policies like the **CAP** can have a **negative impact** on the economies of countries **outside** the EU. EU countries may trade with other countries **less**, because it's cheaper for them to trade with **each other**.
   - Increased immigration **within** the EU has resulted in a **lack of skilled workers** in some eastern European countries because so many have moved to Western Europe to seek better wages.
   - Joining the EU can **reduce independence** — EU countries agree to **obey** EU policies even if it **conflicts** with their **national policies**.

Brian was getting his catch in early — he'd heard about the Common Fisheries Policy and he wasn't taking any chances.

Practice Questions

Q1 Give three reasons why different countries might group together.

Q2 Give three examples of global social and economic groupings.

Exam Question

Q1 Discuss the consequences of the grouping of nations, with particular reference to the EU. [10 marks]

Countries form groups for the same reason ageing rockers do — money...

For a long time being a member of the EU was seen as a golden ticket to success — it provided better trade opportunities and helped its members to develop socially and economically. However, since the start of the 2008 economic crisis things have started to go up the spout. Now the future of the EU and particularly the Euro is a bit uncertain — oh heck...