4.4 Globalisation

Key Words

Globalisation	The expansion of world trade in goods and services, together with capital flows, leading to greater international interdependence
Development	The process of increasing people's standard of living and wellbeing over time.
Developed country	A country with high GDP per capita and developed industry and service sectors
Less developed country	A country with a developing economy that has lower GDP per capita, lower levels of industrialisation and weaker indicators of wellbeing .

Driving Factors of Globalisation

- Digital communication
- Less protectionism
- Lower transport costs
- Financial Deregulation
- Growth of MNCs

Measures of development

Economic growth measures the increase in GDP. GDP measures national output.

GDP is useful for measuring the level of economic activity. However, it is limited for measuring level of economic development.

Economic development is concerned with wellbeing and needs to be considered with a much wider range of indicators, such as:

GDP per capita

Health care / life expectancy

Education / literacy

Access to technology

Gender equality

Pollution and environmental standards

Access to basic amenities such as water, good quality shelter.

Sustainability

Economic sustainability

•Due to increased international trade, there should be greater tax revenues, less unemployment, increased output and growth

•However the benefits may be lost if MNCs leave after finding another country with lower costs or if they choose to avoid paying tax

•There are no guarantees that the wealth from inward investment will benefit the local community. Often, profits are sent back to the country where the TNC is based.

Social sustainability

Increased quality of life. With higher level so employment there should be reduced levels of poverty.

However reduction in cultural diversity as global brands replace local goods

Environmental sustainability

•Through specialisation and trade countries should be producing what they are most efficient at and therefore using resources most efficiently

•But pollution in the production processes and depletion of natural resources are both significant problems.

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Costs and benefits of globalisation in developed countries

	Producers	Consumers	Workers
Benefits	• Larger **(global) marketplace** of potential customers • **Cheaper resources** and labour from abroad can reduce business costs	**Wider range** of goods **Lower prices** for goods Greater **opportunity to travel**	Increased employment for workers where goods are produced due to **foreign investment** **Increased mobility** for workers to travel and find employment abroad
Costs	• Could lead to a **decline in an industry** where less developed countries have a cost advantage. • Producers are **vulnerable to changes in the world economy** eg a slowdown in growth in China may have a big impact on their business	**Less choice** due to global brands **Volatility and rising prices** where there is higher demand for some goods eg oil	**Loss of jobs** and job opportunities in developed countries as production is moved abroad

Costs and benefits of globalisation in LESS developed countries

	Producers	Consumers	Workers
Benefits	Wider market to sell to Technology transfer Increased foreign investment	Wider range of goods Access to global brands Better infrastructure due to FDI	• increased employment due to increased output • Increased employment due to increased investment • Increased geographical mobility
Costs	Vulnerability to problems in the worldwide economy Increased migration and loss of skilled workers Smaller, developing industries may not be able to compete in global marketplace	Rising prices	• Poor working conditions in developing countries for local workforce • Increased use of machinery and unemployment • Increased gap between rich and poor

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