

CURRENT ECONOMIC TRENDS (II). IDEOLOGIES AND PROBLEMS

Economic globalisation consists of the growing integration of national economies into a global market economy.

7.1 The causes of globalisation

- **Advances in telecommunications** provide instant information and enable contact between people and businesses anywhere on the planet.
- **Improvements to means of transport** facilitate the transfer of merchandise and people on a worldwide scale and enable businesses to extend their areas of production and markets to the whole world.
- **The spread of the capitalist system**, and the dissemination of neoliberal ideology, encourage all types of global exchange through their defence of economic freedom.

7.2 The promoters of globalisation

- **International organisations** have encouraged the economy to operate on a global scale by implementing shared guidelines and adopting agreements on a range of economic matters. The World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the G20 are of particular importance.
- **Multinationals** are another powerful set of globalisation agents, as they operate with a global strategy to obtain maximum profit.

7.3 The global operation of the economy

The globalisation of economic activity affects the production, exchange and consumption of goods.

- **The production** of goods is organised on a global scale, as the major multinationals locate their factories in the most advantageous places. This leads to the creation of industries in some poor countries, however, at the cost of exploiting local resources and the local workforce where multinationals' subsidiaries are set up. See the "Graphic Report".
- **The exchange** of merchandise, capital, services, technology and information acquires a global dimension. The opportunities for poor countries improve, and in some cases, these countries have taken advantage of positive aspects of globalisation to achieve a high level of economic growth. However, specialisation in less productive activities generates high levels of external debt.
- **The consumption** of goods both expands and becomes more uniform due to the mass dissemination of common tastes through advertising. In theory, the consumption of goods has grown in most countries. However, this consumption is only accessible to specific social groups and its increase leads to an irrational exploitation of natural resources and the destruction of the environment.

Advantages and disadvantages

Advantages of globalisation



- Increases employment where multinationals' subsidiaries are located.
- Reduces production costs and lowers product prices.
- Increases competition between businesses, which leads to greater product quality.

Disadvantages of globalisation



- Increases economic inequality between developed and underdeveloped countries.
- Favours large businesses.
- Multinationals interfere economically in underdeveloped countries.
- Harms the environment.
- Encourages industrial offshoring from developed countries.

Skills progress

Learning concepts

- 1 Define the terms *economic globalisation* and *multinational*.

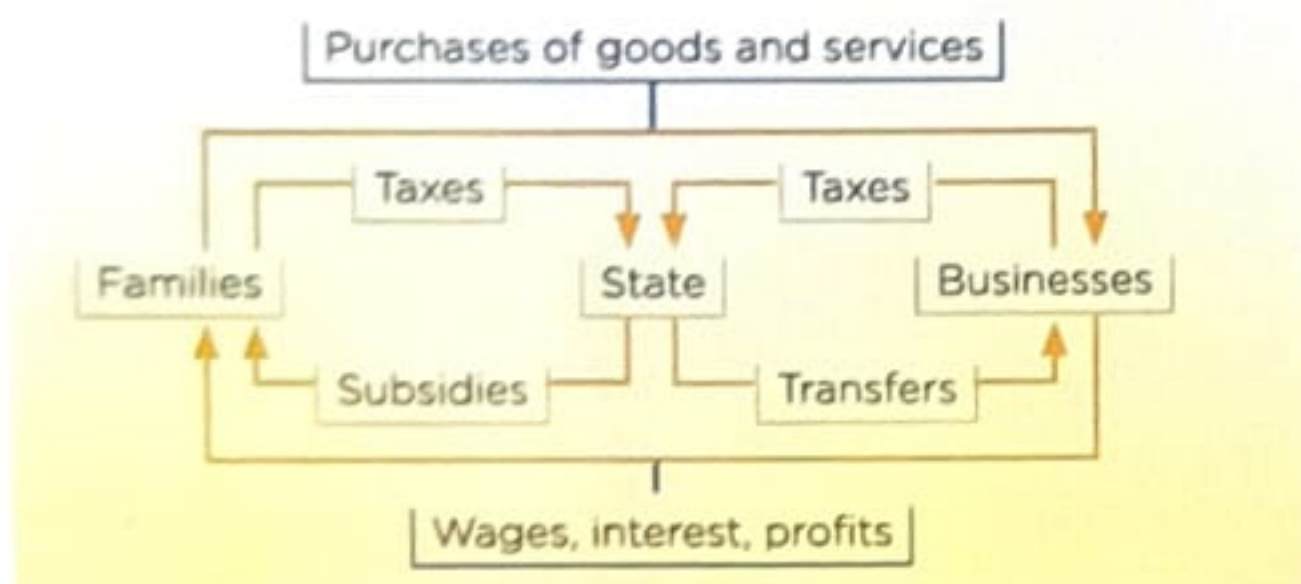
Generating new content

- 2 Explain the role played by international organisations and multinationals in globalisation.

CHALLENGES THAT LEAVE THEIR MARK

APPLY

- 1 Explain the relationships between economic agents with the help of the diagram below.



- 2 Give a brief definition of these concepts: *labour force*, *labour force participation rate* and *labour market*.
- 3 Link the following statements to their corresponding economic system and place them in a table:
 - a) Law of supply and demand.
 - b) Combines free competition and state involvement.
 - c) The market decides what is to be produced.
 - d) The State plans the economy.
 - e) It aims to achieve social equality.
 - f) Private businesses and public enterprises coexist.
- 4 Analyse this map and answer the following questions:
 - a) What type of resource is water?
 - b) What problems is this resource facing?

- c) What are the causes of these problems and what are their consequences? Think about the advantages and disadvantages of each economic system and list them in your notebook.

- 5 List the production factors involved in the production of the commodity represented in the photograph.

- 6 Complete this table with the advantages and disadvantages of economic globalisation.

Globalisation	
Advantages	Disadvantages

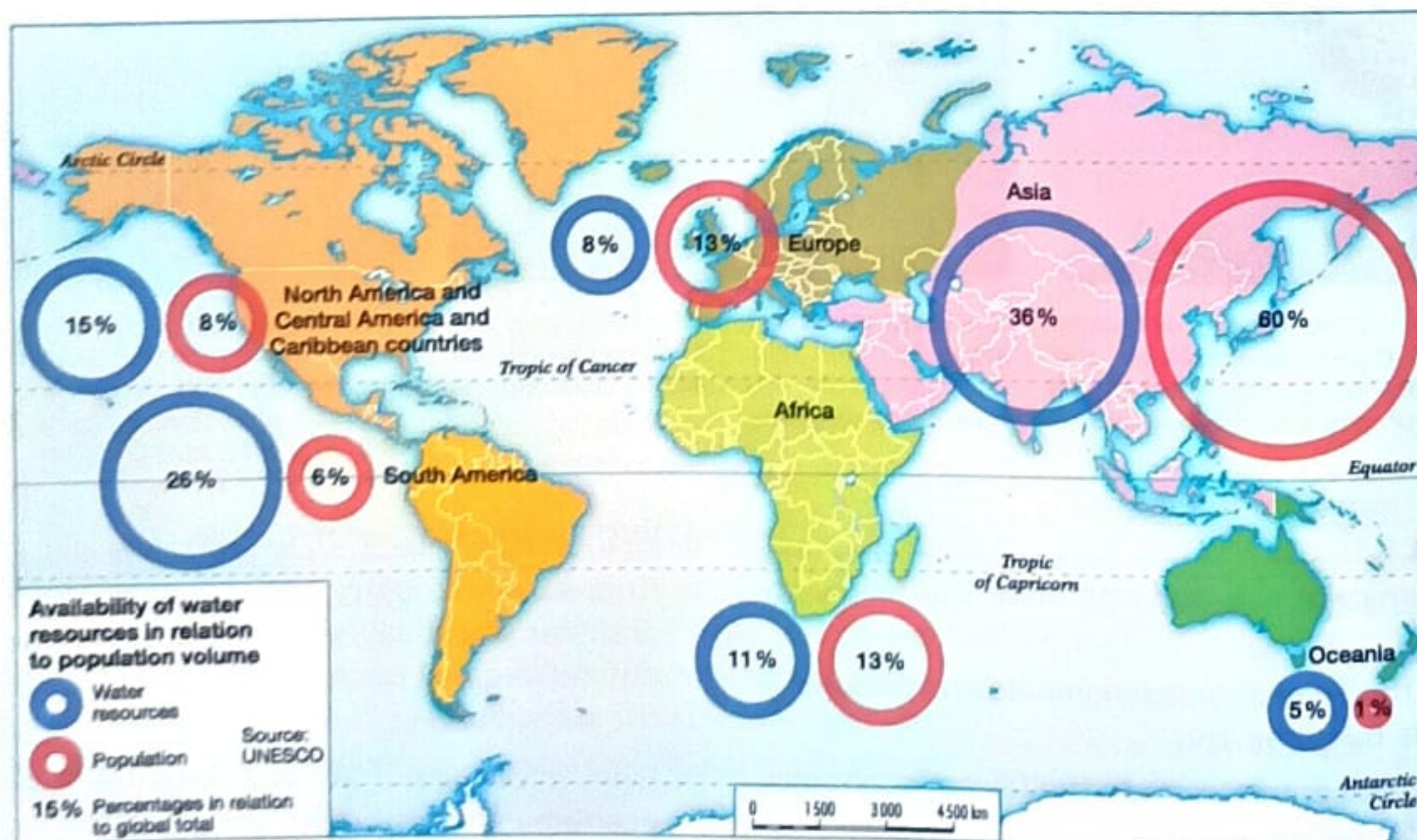
REFLECT AND EVALUATE

We will start the report by learning about the main economic activities and their geographical spaces. Reflect individually and then share with a group your assessment of the activities involved.

To do this, download the corresponding rubric at anayeduacion.es

TEST YOUR SKILLS

Check your skills by completing the skills self-assessment. You can find it at anayeduacion.es.



WORLDWIDE GEOECONOMIC AREAS

A number of geoeconomic areas can be identified around the world based on their degree of integration into the global economy.

8.1 The traditional economic focus: the Triad

The United States and Canada, the European Union and Japan (also known as the Triad) are the traditional focus for economic activity.

In these countries, agrarian activities have little significance for production but there is an industrial base, which is highly advanced in terms of technology thanks to major investment in science and technology. Goods consumption is also high, due to the inhabitants' high standard of living. This is why the Triad countries lead the global exchange in manufactured goods, technology, services and capital.

8.2 Emerging economic powers

Gross domestic product (GDP)

These economies grow at a faster rate than that of the rest of the world.

- In some cases, they are **historically underdeveloped countries**, which have undergone rapid economic growth. In **Asia**, this is the case with China, whose GDP is the highest in the global economy, in addition to the economies of India, South Korea, Singapore, Malaysia, the Philippines, Turkey and Indonesia. In **America**, it includes countries with abundant natural and energy resources, such as Brazil, Mexico and Argentina.

Production is based on rapid industrialisation, encouraged by low salary costs for labour and the increasing influence of technology. There is little domestic consumption, due to limited salaries, although this tends to grow. In terms of worldwide exchange, both traditional and high-tech exports are of primary importance.

- In other cases, they are **historical economic powers that** have experienced decline, like Russia, or countries that play an important **economic role in their region**, such as Australia, South Africa and some Middle Eastern countries (Saudi Arabia, Qatar, Israel).

Their production is based on abundant natural resources and a relative degree of industrial development. Their consumption levels reveal significant contrasts between social groups, while their exchange of goods is based on exports of agrarian, mineral and energy-based raw materials, as well as industrial products.

8.3 Underdeveloped areas

These are located in some countries in Latin America, Asia, and above all, Sub-Saharan Africa. Production is based on traditional agrarian activities and their industry is poor and barely advanced. Consumption is very limited, due to the low standard of living. Therefore, these regions run the risk of being marginalised from global economic exchange.

The BRICS



The five main emerging economies are Brazil, Russia, India, China and South Africa. As a group, they have been referred to with the acronym BRICS since 2011.

BRICS

Classwork

Skills progress

Organising information

- In your notebook, complete a table to summarise the characteristics of the three major geoeconomic areas.

It should contain the following fields: location, production, exchange and consumption.

4. Organisational styles

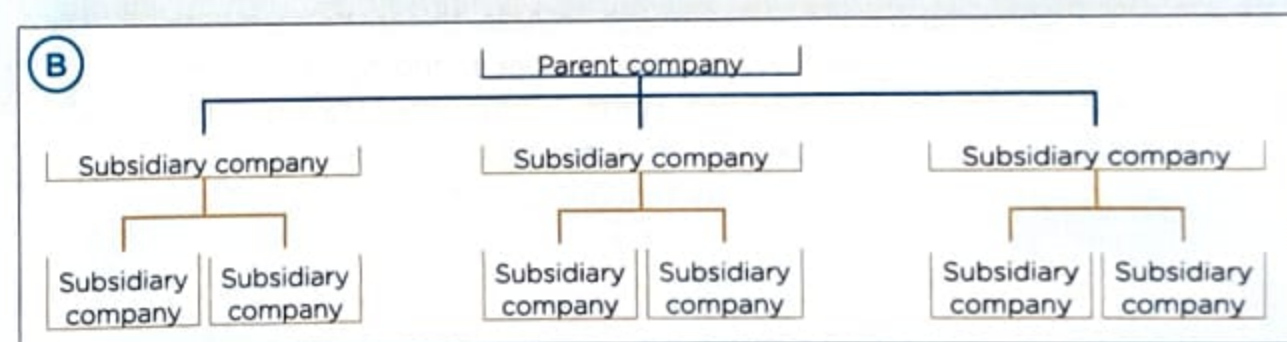
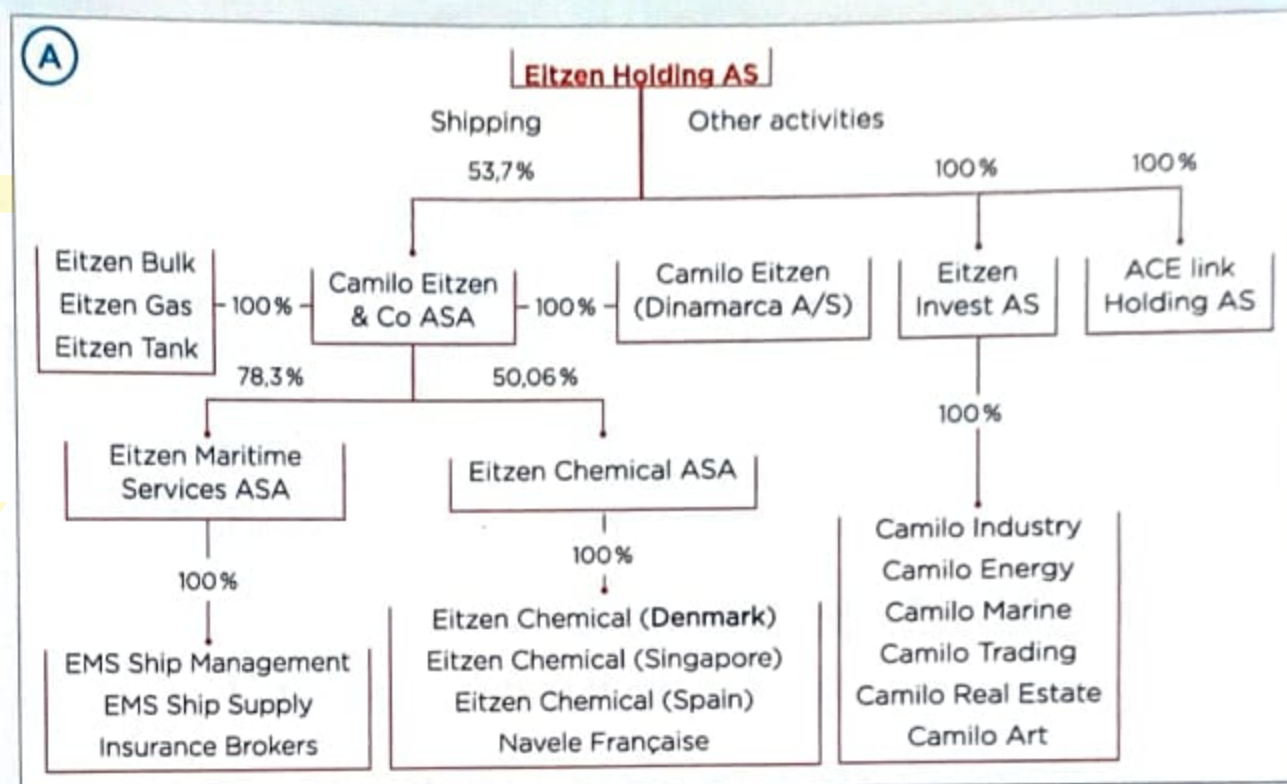
Multinational companies operate in countries where they are established in various ways.

Sometimes they create new facilities; in others, they merge with other existing companies, which they absorb; and in others, they buy a majority of the capital of another company.

The result is an organisation that has two basic forms: the holding company and the trust.

- A **holding company (A)** is a financial company that controls all, or part, of several companies by participating in its capital.

- A **trust (B)** is the union of several companies under the same management. It brings together companies from the same sector controlled by a large multinational firm.



5. The power of multinationals

Multinationals (2017)	Stock capital (thousands of millions of \$)	Countries (2017)	GDP (thousands of millions of \$)
Apple (technology)	686.14	Saudi Arabia	683.8
Alphabet (communications)	544.23	Sweden	583
Microsoft (technology)	467.23	Thailand	455
Amazon (consumption)	399.53	South Africa	349
Facebook (communications)	383.20	Denmark	324

Source: Economipedia

Nowadays the great multinationals have an economic weight similar to that of some countries. This economic power increases its influence on small countries or little developed countries.

6. Social influence and consumption

Multinationals, by spreading their products around the world, they promote consumer society and a unique cultural model, which is generally a western one. Currently, large multinationals have an economic weight similar to that of some countries. This economic power increases its influence in small nations or in less developed countries.



GRAPHIC REPORT

Multinationals and globalisation

Depending on the geographical area in which they operate, companies can be local, national or multinational.

Multinationals are companies that have production establishments in countries other than the one of origin and act with a joint strategy that is decided from the headquarters.

These companies play an important role in the globalisation of the economy, as they operate with a global strategy to achieve maximum benefits. Thus, they can buy raw materials in certain places, transform them in others, and market their products in different ones. In addition, through advertising, they collaborate to standardise the tastes and preferences of consumers in all parts of the Earth.

Classwork

Skills progress

Comprehension, expression and ICT

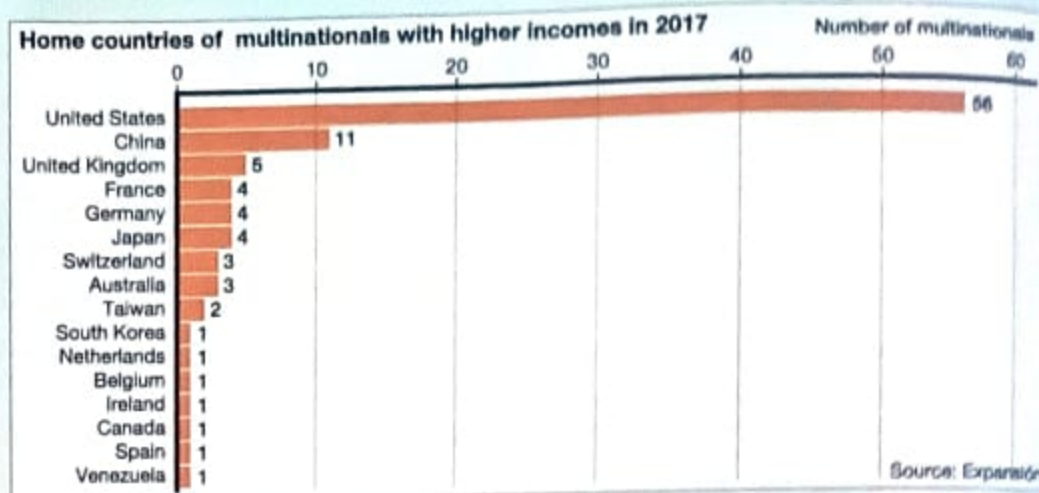
1 Write a text about multinationals using the graphic and statistical information on this double page: what they are, how they operate, where they are located, economic power, etc.

2 Find information about:

- A multinational company. Write a summary indicating, at least, the following data: the country where it is based, the sector it is dedicated to, the countries where it has subsidiaries and what its action strategies are.
- The positive and negative aspects of the multinational's actions.

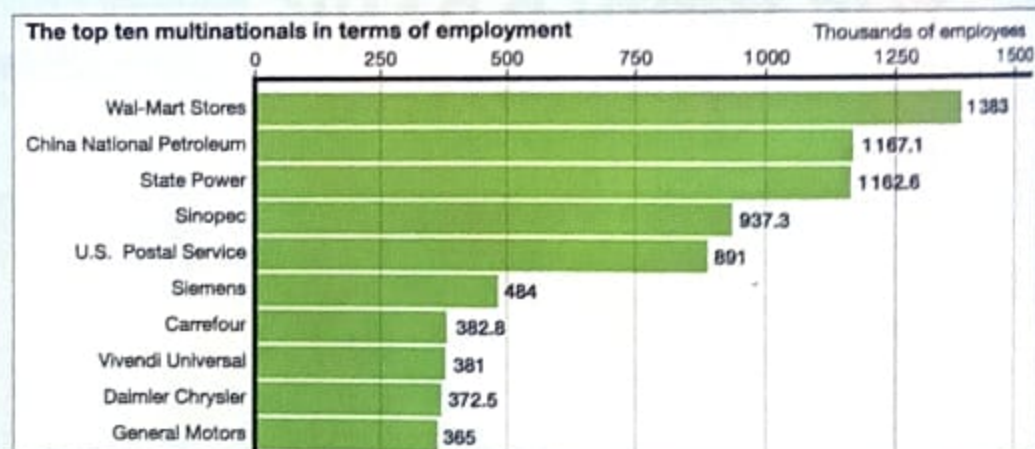
Characteristics and influences of companies

1. Geographic location



Today there are more than 85 000 multinational companies in the world. The largest continue to belong to the United States, the United Kingdom, Japan, Germany and France, although in recent years they have also arisen in emerging countries such as China, India, Mexico, Brazil and others in Southeast Asia.

2. Direct employees



The more than 900 000 subsidiaries of the multinationals have 54 million direct employees worldwide.

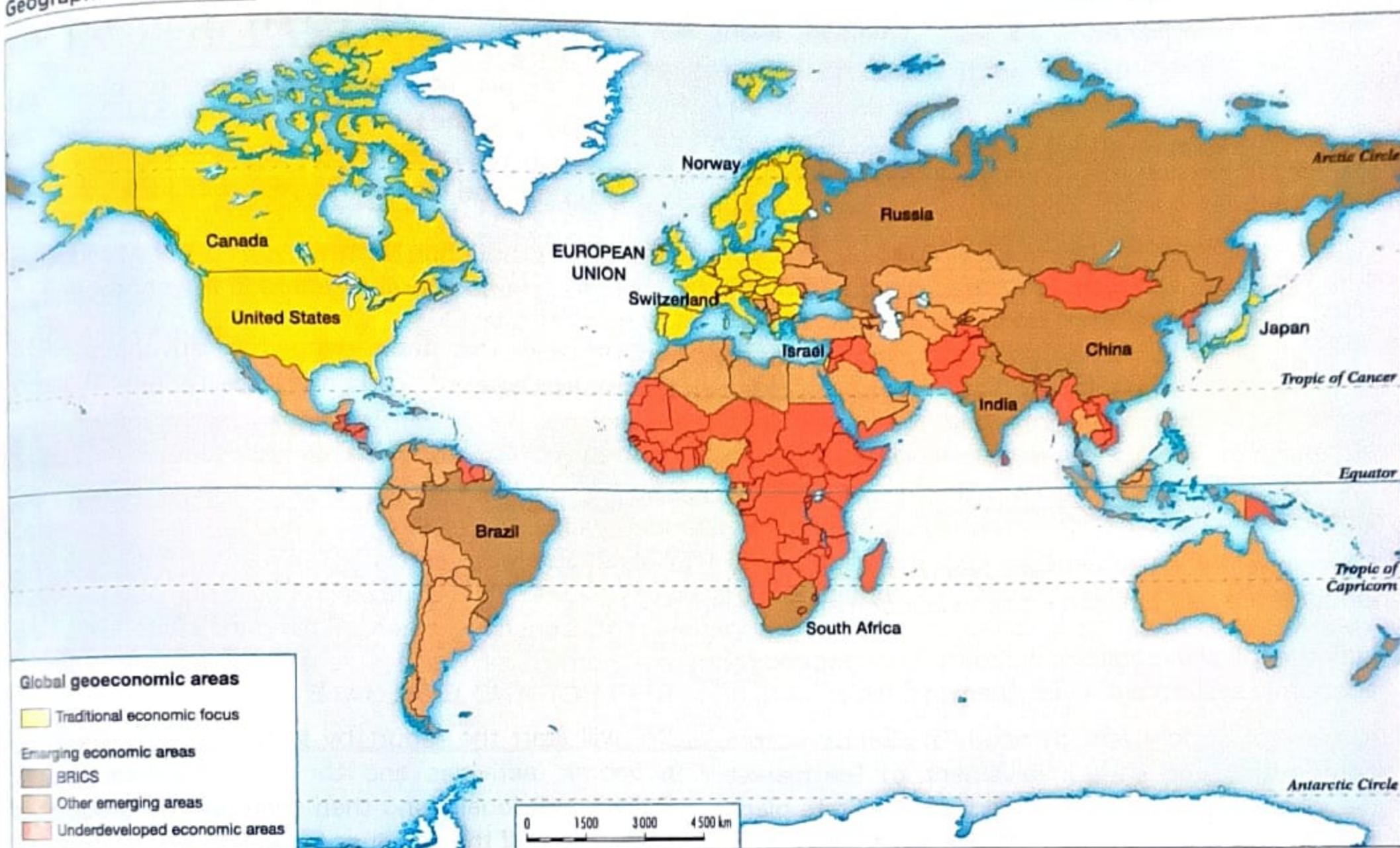
3. Global strategy



Multinationals design global strategies to achieve their objectives of international expansion. They have production units in more than one country, with which they take advantage of the locational advantages offered by each country or region and decrease the final costs of the products they manufacture.

Worldwide geoeconomic areas

Geographic distribution



The Triad



Triad countries base their economic production on high-tech industrial and agrarian products, which has led them to become leaders of global exchange.

Emerging countries



Emerging countries base their production on industrialisation, underpinned by low salaries and the export of cheap or technological manufactured goods.

Underdeveloped areas



Underdeveloped countries base their production on traditional agrarian activities. Furthermore, they have very little industry, which in any case, tends to be antiquated and/or of poor quality.

Using maps

2 Study the map above and complete the following tasks:

- Classify the Triad country members and emerging countries by continent.
- Which continent is home to the fewest economic powers? Why is this so?

Using sources of information

- Choose one country from each geoeconomic area and find statistical data that illustrate the economic differences between them. Then, compare them using a graph.
- Find information on the Internet about China's economic growth. Then, write a short report.