Globalisation

Factors and dimensions of globalisation

Globalisation has a range of meanings. The way it is defined in any context tends to reflect the priorities or prejudices of whoever is writing. Economists, historians and geographers may all define globalisation differently. Some may take a scientific viewpoint and define globalisation in a way that is free of any values or perspectives, but others believe that the impact of globalisation on people's lives means that there should always be a moral or ethical dimension to its discussion. Like the term 'development', globalisation can be described as a 'multistrand' process, meaning that there are many different, but linked, facets (or dimensions). What follows is a rough guide to the different 'flavours' of globalisation.

There are various views on globalisation:

- 'A rapid and huge increase in the amount of economic activity taking place across national boundaries has had an enormous impact on the lives of workers and their communities everywhere. The current form of globalisation, with the international rules and policies that underpin it, have brought poverty and hardship to millions of workers, particularly those in the developing world and transition countries.' (UK Trades Union Congress)
- 'Globalisation can be conceived as a set of processes which embodies a transformation in the spatial organisation of social relations and transactions expressed in transcontinental flows and networks of activity, interaction and power.' (Held and McGrew – *Globalisation Theory*)
- 'Globalisation is a process enabling financial and investment markets to operate internationally largely as a result of deregulation and improved communications.' (Collins Dictionary)
- 'The term 'globalisation' refers to the increasing integration of economies around the world, particularly through the movement of goods, services and capital across borders. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity – village markets, urban industries or financial centres. There are also broader cultural, political and environmental dimensions of globalisation.' (IMF)
- 'Globalisation is the expansion of global linkages, organisation of social life on a global scale, and growth of global consciousness – hence consolidation of world society.' (Frank Lechner)
- 'The world's economies have developed ever closer links since 1950, in trade, investment and production. Known as globalisation, this process is not new,

Key term

Globalisation The growing economic interdependence of countries worldwide through increasing the volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology.

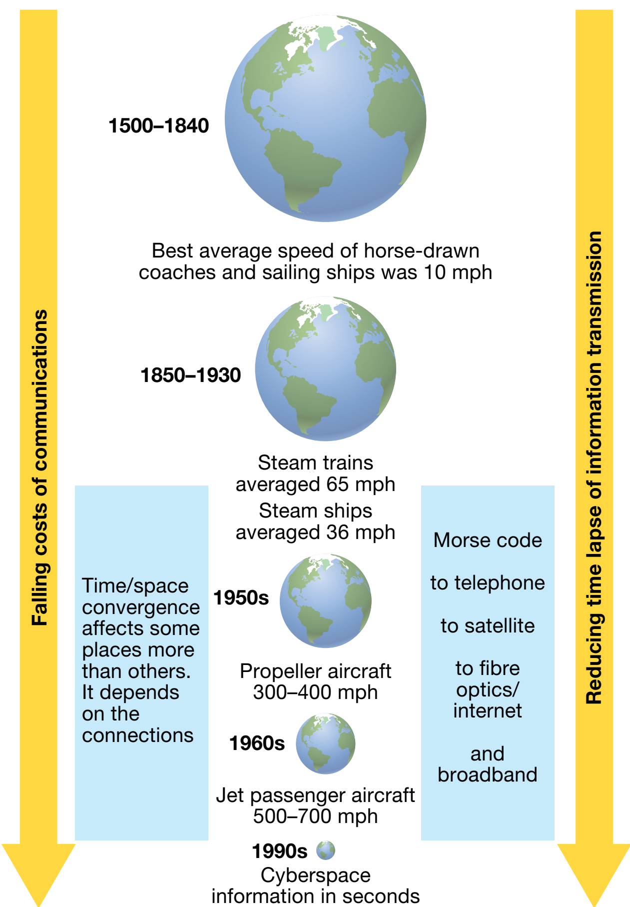
but its pace and scope has accelerated in recent years, to embrace more industries and countries. The changes have been driven by liberalisation of trade and finance, how companies work and improvements to transport and communications.' (BBC)

- 'It might mean sitting in your living room in Estonia while communicating with a friend in Zimbabwe. It might mean taking a Bollywood dance class in London. Or it might be symbolised in eating Ecuadorean bananas in the European Union.' (World Bank)

Geographers describe globalisation in general terms as the process by which places and environments become more:

- **interconnected**;
- **interdependent** on one another;
- **deeply connected**;
- connected together in real time as part of a **shrinking world** – also known as **time–space compression** (Figure 24.1).

Figure 24.1 A shrinking world



This 'shrinking world' concept has been enhanced by the use of information and communications technology (ICT). An important outcome of the relationship between ICT and globalisation is the growth of extensive networks of people and places. All kinds of global networks can be modelled, ranging from social networks such as Facebook and Twitter to the complex supply chains of global corporations. ICT enables all these interactions by providing affordable, instantaneous connectivity. Over time, network connections have become faster and more inclusive of all people in society, not just privileged groups. As a result, a staggering amount of globally available digital information has been created since 2000.

Globalisation can be defined as a series of changes or outcomes for different groups of people and places. These outcomes can be compartmentalised – economic, social, political and cultural outcomes, for instance (Table 24.1 and Figure 24.2).

Another way of thinking about globalisation is to see it as a range of issues about which people may hold a view. Globalisation brings positive and negative changes to people and places (Table 24.2 on p. 242). Globalisation might be described as 'the global growth in economic activity that has lifted billions out of poverty' or 'the global growth in economic activity that has produced a two-speed world and the widespread exploitation of workers'. In other words, each definition reflects a moral stance.

A final way of talking about globalisation is to describe it as the latest chapter in a long story of global trade, migration and cultural change. Historians might take this perspective. Globalisation is the

Economic globalisation	Political globalisation
• The growth of transnational corporations (TNCs) accelerates cross-border exchanges of raw materials, components, finished manufactured goods, shares, portfolio investment and purchasing. • ICT supports the growth of complex spatial divisions of labour for firms and a more international economy. • The internet and worldwide web have allowed extensive networks of consumption to develop (such as online purchasing on eBay and Amazon).	• The growth of trading blocs, such as the European Union (EU) and North American Free Trade Association (NAFTA), allows TNCs to merge and make acquisitions of firms in neighbouring countries, while a reduction in trade restrictions and tariffs helps markets to grow. • G7/G8 and G20 groups of countries meet regularly to discuss global concerns such as the economy and environment (climate change and the financial crash of 2007 being two major issues of recent years). • The World Bank, the International Monetary Fund (IMF) and the World Trade Organisation (WTO) work internationally to harmonise national economies.
Social globalisation	**Cultural globalisation**
• International migration has created extensive family networks that cross national borders. World city societies have become multiethnic and pluralistic. • Global improvements in education and health can be seen over time, with rising world life expectancy and literacy levels, although the changes are by no means uniform or universal. • Social interconnectivity has grown over time due to the spread of universal connections such as mobile phones, email and the use of 'social media'.	• Successful western cultural traits have come to dominate in some nations, e.g. the Americanisation or 'McDonaldisation' of tastes and fashions. • **Glocalisation** is a more complex outcome that takes place as old local cultures merge and meld with globalising influences. • The circulation of ideas and information has accelerated due to 24-hour news reporting; people also keep in touch using virtual spaces such Facebook, Twitter, Skype and WhatsApp.

***Table 24.1** Types of globalisation*

continuation of a far older, and ongoing, economic and political project of empire building. Economies have been interdependent to some extent since the time of the world's early great civilisations, such as ancient Egypt and Rome. More recently, during the nineteenth century, the British Empire gifted the British people and the English language with a remarkable global sphere of influence. Important political developments in the 1940s and 1950s, such as the establishment of the IMF, laid the foundations for globalisation. Globalisation can therefore be seen as a series of periods in an ongoing economic, social, political and cultural story.

- ***Period 1* 1950s:** the end of the age of empires with, for example, independence for African and Asian countries; postwar settlements and bodies (IMF, World Bank, General Agreement on Tariffs and Trade (GATT) and the WTO); the growth of container shipping.
- ***Period 2* 1960s–1980s:** the rise of the Asian Tigers (Hong Kong, South Korea, Taiwan, Singapore) and deindustrialisation of parts of western core countries; the rising influence of the Organisation of Petroleum Exporting Countries (OPEC) and their price rises of oil; offshoring begins in earnest; the spread of financial deregulation and the growth of money markets.

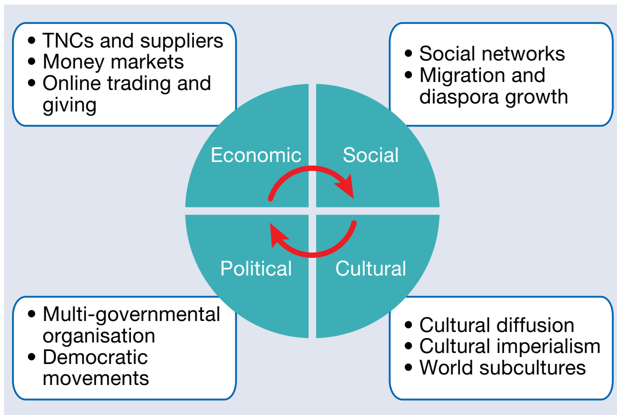


***Figure 24.2** Different aspects of globalisation or types of global interaction*

Key term

Glocalisation The local sourcing of products by TNCs in places where they assemble their global products close to markets. At the same time, they are able to customise their products to meet local tastes and needs.

A manufacturing plant in China – has globalisation brought jobs and wealth or 'sweatshop' exploitation?

- ***Period 3* 1990s–present day:** the fall of the Soviet Union; the growth of BRIC (Brazil, Russia, India, China) economies; the growth of trade blocs (EU, NAFTA); the acceleration of technology; periods of economic crisis.
- ***Period 4* The future:** the rise and rise of China and India; some newly emerging economies, such as Indonesia and Malaysia.

The financial crash of 2007–08 illustrates well the role of global financial interconnectivity. Over several decades in the late 1900s, mass sales of Chinese goods to consumers in the USA and Europe took place. As a result, Chinese companies and the Chinese state accumulated enormous sums of money from their global sales of goods. Some Chinese companies reinvested this money into improving their processes and facilities, but the Chinese state and banks converted much of the cash into US dollars and pumped that money back into the US banks in order to get a return. These huge Chinese dollar assets, held by US banks, then bankrolled irresponsible lending to people who could not afford to repay the loans, or even the interest on the loans, for the purchase of houses and expensive cars. A level of deregulation of the banks in the USA and elsewhere assisted in this process. This version of the capitalist system, fed by a communist system, had to collapse… and it did (Figure 24.3).

Global marketing

Global marketing is defined as 'marketing on a worldwide scale, reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives'. When a company decides to embark on global marketing, it views the world as one market and creates products that fit the various regional market places. The ultimate goal is to sell the same thing, the same way, everywhere. There are several examples of this.

***Table 24.2** A summary of globalisation factors, flows and outcomes*

Factors	Flows	Outcomes
ICT	Global shift of industry to the developing world.	Increased consumer choice.
Transport technology improvements	Increased connectivity between nations.	Gain in jobs and opportunities in some areas, but losses in others.
Global businesses (TNCs)	Increased flows of money and goods.	Increased inequality or poverty reduction.
Removal of trade barriers	Shrinkage of space–time.	Free trade or exploitation and sweatshops.
Globalisation and glocalisation	Similar products or modified products.	Global brands or local adaptations of global brands.
Free movement of labour	Migration at unprecedented levels and at all levels of society.	Brain drains (and gains); mass migration of economic migrants.

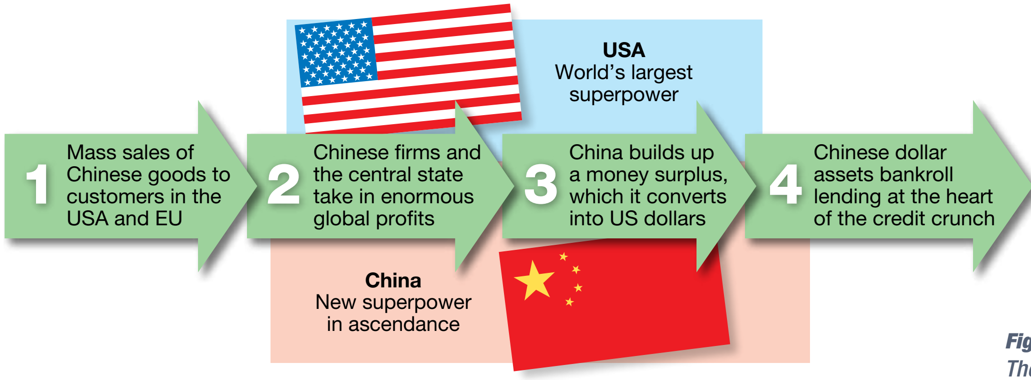


Figure 24.3 *The 2007–08 financial crash – an example of global financial interconnectivity*

- Coca-Cola has created a single product where only minor elements have to be tweaked for different markets. The company uses the same formulas (one with sugar, the other with corn syrup) for all its markets. The classic contour bottle design is used in every country, although bottle and can size is the same as other brands in any particular country.
- In 1930 Mars introduced a chocolate bar called 'Snickers', named after the favourite horse of the Mars family. The Snickers bar was marketed under the brand 'Marathon' in the UK and Ireland until July 1990, when Mars decided to align the UK product with the global Snickers brand. (Mars had marketed and discontinued an unrelated bar named Marathon in the United States during the 1970s.)
- In 2000, Lever Brothers (UK) decided to change the name of its household cleaning product from 'Jif' to 'Cif'. The purpose was to align the name with its global moniker for the product. Other reasons were also suggested: it became easier to say in several local languages; and the previous name bore a similarity to a rude word in some foreign languages.

Other examples of brand name changes include Oil of Ulay, which is now Oil of Olay, and Opal Fruits, which is now Starburst. In many cases it seems that the common factor is the need to align with markets in the USA and the Far East.

Global patterns of production, distribution and consumption

Globalisation brought about a new international division of labour. At its simplest, it is possible to recognise two groups:

- occupations that are highly skilled, highly paid and involve research and development (R&D), decision making and managerial roles. These are largely concentrated in developed (or high-income) countries;
- occupations that are unskilled and poorly paid assembly roles. These tend to be located in the emerging economies, often developing (or low-income) countries, based on low labour costs.

This division has undergone radical changes in the last 50 years. Many countries that were classified as developing have become newly industrialised countries (NICs) and even within this group it is possible to recognise several generations, all at various stages of development.

In the mid-1950s, around 95% of manufacturing was concentrated in the industrialised economies. Since then, decentralisation has occurred, which has been largely the result of foreign direct investment (FDI) by TNCs in those developing countries able to take on manufacturing tasks at a competitive price. This process – the filtering down of manufacturing industry from developed countries to lower-wage economies – has become known as a 'global shift'. It has also resulted from the fact that high technology is no longer associated with high productivity and high wages. The transfer of technology enables many countries within the developing world to increase their productivity without raising their wages to the levels of developed countries. This can also widen the development gap as workers in the developing world are paid less to make the same products as their counterparts in developed countries. By the first decade of the twenty-first century, over 50% of all manufacturing jobs were located in the developing world and over 60% of exports from such countries to the developed world were of manufactured goods.

The provision of services has become increasingly detached from the production of goods. The financial sector, for example, has no direct relationship to manufacturing. As manufacturing has become more dispersed worldwide, high-level services have therefore increasingly concentrated in places different from the old centres of manufacturing. At the highest level, the top of the service hierarchy is to be found in world cities such as London, New York and Tokyo, that are the major nuclei of global industrial and financial command functions. Other cities of prominence include Frankfurt, Chicago, Paris, Milan and Los Angeles.

The 1990s, however, saw the emergence of a growing number of transnational service conglomerates, seeking to extend their influence on a global scale, particularly in banking and other financial services and in advertising. The movement of capital around the world has speeded up, with many manufacturing and service industries now owned by these conglomerates. Such organisations are known as private equity firms and venture capitalists.

Another recent trend has been the decentralisation of low-level services from the developed to the developing world. Call centre operations, for example, have moved from the UK to India, the Middle East and South Africa, where employment costs are generally at least 10–20% lower. This globalisation of services is simply following what has been happening in manufacturing over several decades.

One of the consequences of global shift in the developed world has been deindustrialisation, though this has not been entirely due to global shift. Other factors, such as outmoded production methods, long-established products entering the end of their life cycles and poor management, have all contributed to the decline of manufacturing in those regions.

The development of trade agreements

The first major steps in the growth of today's level of international trade took place after the Second World War. The initial steps in opening up the global economy were made in the 1950s and 1960s as the desire to avoid the economic and political mistakes of the interwar period led to the gradual dismantling of trade barriers. Some of this was done within specific geographies – notably with the formation of the European Coal and Steel Community in 1951, the forerunner of the European Union. Most, however, came about as a result of close cooperation between democratic powers keen to escape the conflicts of the first half of the twentieth century. This resulted in:

- the Marshall Plan, which helped to deliver postwar reconstruction in a bid to avoid the mistakes contained within the Treaty of Versailles;

- the delivery of a number of successful General Agreement on Tariffs and Trade (GATT) rounds designed to reduce trade barriers – GATT was replaced by the World Trade Organisation (WTO) in 1995;
- the development of the Bretton Woods system of fixed but adjustable exchange rates;
- the creation of the International Monetary Fund (IMF) and the World Bank;
- the creation of the North Atlantic Treaty Organisation (NATO), which was a response to fears of Soviet expansion in Europe.

The consequence of these interconnected series of systems and arrangements – political, financial, economic and security based – was a massive re-opening of world trade. However, only those countries that make up the core countries within the developed world – the Organisation for Economic Cooperation and Development (OECD) – really benefited. Since the reforms took place between like-minded democracies, it seemed as though economic progress depended on democratic status. There is one major exception to this, which is still true to an extent to this day – Singapore. Singapore's economy has been transformed from extreme poverty to considerable wealth in the space of 50 years, even though it had no conventional democratic framework and went through significant political upheavals (joining and then leaving Malaysia within the two-year period 1963–65).

The 1970s saw a series of hiccups in world trade. During this time in the USA there were expansionist policies associated with funding the war in Vietnam and there were the global upheavals of the Yom Kippur War in Israel and the subsequent oil-price hike by OPEC countries. The Bretton Woods exchange rate system collapsed and was replaced by more flexible exchange rates and open cross-border capital flows. The concept of foreign direct investment (FDI) was born.

In the initial stages, the rapid rise of FDI mostly affected wealthy (high-income) nations. The Japanese and Germans, with their large current account surpluses, mostly lent money to the Americans. The British, with their North Sea oil revenues, invested abroad for a while until oil surpluses disappeared. Emerging nations were generally regarded as risky, largely as result of the Latin American debt crisis in 1982–84 that brought the US banking system to its knees. Similarly, there were crises in Mexico and Asia during the 1990s. During this time, the creditors and debtors were mostly in the developed world. The USA ran a large current account deficit funded by ever-increasing surpluses in Germany and Japan. In return for this funding of the USA's deficit, the latter provided military and diplomatic protection for both countries in the midst of the Cold War. This is another example of where trade and security come together.

One must also not forget the revolution that took place in transport technology (resulting in the shrinking world displayed in Figure 24.1 on p. 238), such as the use of containers and the linked transport modes of shipping, trains and road vehicles.

This was not the only revolution taking place. At the end of the 1970s, Deng Xiaoping's China was beginning to 'open its doors' to the rest of the world and turning its back on the period under Chairman Mao. As the 1980s progressed, the weaknesses of the Russian economy were exposed and it was unable to keep up with American military spending. Soviet power ebbed away and aspects of democracy spread east. As these changes took place, other countries also began to re-examine their economies. India, which had previously protected inefficient domestic industries, began to reconnect with the West. Similarly, countries in Eastern Europe previously controlled by Soviet Russia rushed to join the European Union. Countries in Latin America also wanted to engage in more free trade – Mexico joined the North American Free Trade Agreement (NAFTA) and several Latin American nations formed Mercosur, a free-trade union.

There were important exceptions to this trend. Initially in the 1970s Iran broke away from western values, something that continues to this day, and other countries in the Middle East sought to maintain as much independence as they could (despite the fact that the West depended on their oil reserves). The continuing and relatively isolated position of Saudi Arabia, and recent events in Libya, Syria, Iraq and Yemen, serve to illustrate this point.

Nevertheless, there can be no doubt that the world is much more closely interconnected by trade as a consequence of the opening up to business of much of the emerging world. An examination of the trading partners of both China and the USA (the world's largest economies) illustrates this well (Tables 24.3 and 24.4).

Rank	Exports (%)	Imports (%)
1	USA (17.2)	EU (11.7)
2	EU (16.3)	Japan (9.8)
3	Hong Kong (15.8)	Republic of Korea (9.3)
4	Japan (7.4)	Hong Kong (7.9)
5	Republic of Korea (4.3)	USA (7.4)

***Table 24.3** China's major trading partners (2013)*

Rank	Exports (%)	Imports (%)
1	Canada (18.8)	China (19.1)
2	EU (17.1)	EU (16.7)
3	Mexico (13.9)	Canada (14.0)
4	China (7.2)	Mexico (12.0)
5	Japan (4.5)	Japan (6.4)

***Table 24.4** USA's major trading partners (2013)*

All of this is ultimately a reflection of the enhanced mobility of financial capital (i.e. money). Yet for all the economic progress made by the emerging world, the developed world, consisting of high-income countries, has strengthened its grip on the world economy. The leading financial centres are New York, London and Tokyo (see p. 388). Emerging nations are, in investment terms, an adjunct to the making of money in the developed world. Indeed, as we have seen in London, super-wealthy individuals from the emerging world, such as Russians, Saudis and Chinese, are more than willing to invest in real estate in the developed world. Even today, there is little solid investment in the emerging world beyond manufacturing industry.