emeronTI1

karEsgylGBIsklPavbnIkm

Understanding Globalization

I-eKalbINg

bnabBIbBabemeronTI1EdlCaemroncabepIménkarRKbRKgGnrCat nsStng)anEsgylGBI

-etIsklPavbnIykmCaGI?

-bBehténsklPavbnIykm

-\TBlénsklPavbnIykm

-»kasngkarKIramkEhgénsklPavbnIykm

II-esckIepIm

nsStRKbRKgBaNCkmEtgEtskSamxvCaTIpSar hrBavt KNenyü yTsaRs b karRKb RKg EtGICabBaaRbQmrbsBkeKKkarGnvtceNHdgTagenaHenAkgsanPaBxIsKaénGaCIvkmmy stenA. lIhrénbeckvTüa vTüasaRs karvneyaK BIkr ngvb,Fm)aneFIkarpaSTBIkEngmyeTA kEngmyeToteday KanRBEdn)aneFeGay BPBelakgakkanEtxtCIteTArkkareFBaNCkmngkar vneyaKqgRBEdnedaymnKtBIcmay eBlevla Pasa c,abTIlab vb,FmEdlxsKaBRbeTsmy eTARbeTsmyenaHeT EdleygehAfa BPBelakKEtmy b “One World”. mannyfaRbeTs enAkgBPBelakEdlxanEckKaedayRBEdnerog²xnenH)anmanTnakTngesdkc neya)ay ng vb,FmrvagKayagstrmt Gacnyay)anfamnGacdacecj BIKa)an. Ca]TahrNetmanGeKIteLIg ceBaHesdkcrbsRbeTsCbn RbsnebIRbeTskmCa b éf b RbeTsmycnneTotenA elIBPBelak manvbtesdkc bneya)ay? TagenHehyehAfasklPavbnIykm. sklPavbnIykmman\TBl eTAelIGaCIvkmEdlFabEtRbtbtkgsanPaBRbesIr nggayRslRtvRbQmngkarRbktRbECgf² yTsaRsf² beckvTüaf² ngmankarpasbryagqabrhs.

III-etIsklPavbnIykmCaGI?

sklPavbnIykmCannakarEdleqaHeTArkkarbBalKaénRbBnesdkcskl blhrén beckvTüa vTüasaRs karvneyaK BIkr ngvb,FmBIkEngmyeTA kEngmyeToteday Kan RBEdnKNt. krténsklPavbnIykmkanEtmankenIn kanEtxagkgry³eBlbnanqacgeRkayenH.

IV-TIsedAénsaklPavbnIykm

sklPavbnIykmmanTsedABIrcbg²K³

-kareFIsklPavbnIykmTIpSar **Globalization of markets**

-kareFIsklPavbnIykmplitkm **Globalization of production**

k-kareFIsk lPavbnIykmTIpSar Globalization of markets

kareFIsk lPavbnIykmTIpSarsedAeTAe lkarcabGarmNK trbsRkmhnGnrCatkgkarcab ykTIpSarnanarbsBPBe lakCaCagTIpSarkgRsk bmannyfaTIpSarnanarbsBPBe lakCaTIpSarEt my. “Globalization of markets refers to the fact that in many industries historically distinct and separate national markets are merging into one huge global marketplace.”

bcb,nmanc lnaeqaHeTArkkareFIsk lPavbnIykmTIpSartamry³karTT lykCask lénp ltp l rsCat KNPaB .l. énGkeRbR)asEd lstenATIkEngepSg²Ka.]TahrNkarTT lykCask lén p ltp lePSC³kkakLarbsGaemrckag rfynkamrrbsCbn.l. tamry³karbegteGayman sgdap ltp lsk lenH)anbegteGaymanTIpSarkanEtT lay. CakEsgRkmhn Sony lk p ltp lkgRsk (in Japan) mnd l 15%eT. mnfaRkmhnmanRTgRTaytcbFsTEtGacTaj RbeyaCnngrgnvp lbHBa lB kareFIsk lPavbnIykmTagGs .

x-kareFIsk lPavbnIykmp litkm Globalization of production

kareFIsk lPavbnIykmp ltkmsedAeTAe lkarcabGarmNK trbsRkmhnGnrCatkgkar eRCIserIskEngp lt bkarptpgvtFatedIm bk lagB lkmBRbeTsEd lmanskanB ledIm,Ta jyk p lceN je léfedIm. “The globalization of production refers to the tendency among many firms to source goods and services from different locations around the globe in an attempt to take advantage of national differences in the cost and quality of factors of production. (labor, energy, land and capital).”

eFEbbenHRkmhnsgÁmfangGackatbnyéfedImsrb ngEk lmrKNPaB bmxgarénkar p ltrbsBkeK dcenHvabgPaBgayRs ld lRkmhnkgkarRbktRbECgRbkbedayRbsTPaB.]TahrNRkmhn Boeing CaRkmhnp ltynehaHdFrbsshrdGaemrc)anp ltynehaHedayma nEpkRtvp ltcnn132,500smasFatec jBGkptpgcnn545xs²KaCv jBPBe lak. kgenaH RkmhnCbn8CaGkptpgTar ngsab ÉRkmhndéTeTotp ltmasIn bekAGGgy.l. mannnakar myeTot)anekItmanEd lBImnmnEd lmanKRkmhnGaemrcmycnnEd lFabp ltp lenA shrd-Gaemrcehy lkenAGaemrcEtmgenaH)anpasbreTAp ltenARbeTscn b\Na ngdkCBaneTA lkenAGaemrcngRbeTsdéTeTotkgBPBe lakv j.

v-bBehténsak lPavbnIykm Drivers of globalization

karCRm jeGaysak lPavbnIykmekteLIgmanktaCaeRcIn kgenaHmanbBehtBrsxan² K³
-karkatbnyénr)agBaNCkmngvneyaKrbsRbeTsmycnn

The decline of barriers to trade and investment ng

-bErbr lénbeckvTüa Technological change.

k-karkatbnyénr)agBaNCkmngvneyaKrbsRbeTsmycnn

The decline of barriers to trade and investment kareFBaNCkmGnrCatekIteLIgenAeB I Rkmhnmynaec j p I tp I besvkmrbsxneTA TpSarGkeRbR)asEd I stenARbeTsdéT.

BImnmanr)agBaNCkmCaeRcInEd I raragkarBIBaNCkmGnrCatdcCaBnnac I xs kta bryakasc,abBaNCkmtgrg ng I kxNnanakgkardakBaküvneyaKCaedIm. bBaaTagGsenH)an fycHbncmg²cabtagBITsvtS 1930’s. bnabBIsRgame I ake I kT2 RbeTs]sSahkmF² éne I akxag I ccabepImdkec j nvr)agnanaedIm,eGayman I Ihrénp I tp I esvkm ng edImTn rvagRbeTsmyeTARbeTsmyeTotedayesr I. eRkamkcRBmeRBog [General Agreement on Tariffs and Trade]() or GATT RbeTsRbEh I Cag140)anc I rmcrcarkanEteRcIne I Ikarkatbnyr)agBn (tariffs tax) ngeFeGayRbesIrceBaH I kxNBaNCkm (e.g. intellectual property, trade in services)epSg²eTotsedAeFeGayRbesIrceBaHkareFBaNCkmrvagKa. kgenaHsmTp I énkcRBm eRBogmyehA **Uruguay round**)anbBabenAExF qa1993 Ed I kanEtkatbnynvr)agBaNCkmnana ngkanEteFeGayRbesIrceBaHesvkmkgkareFBaNCkmrmmanc,abkmsTbBaa karBar)atg pakng sBaaBNCkmrbsRkmhnCaedIm. e I IsBenH Uruguay round)anbegIteGaymanynkar international trading system Ed I ehAfa ***GgkarBaNICkmBPBe I ak*** (WTO) kgkartamdan karGnvt ngkaredaHRsaybBaaénkareFBaNCkmesrIrbsBPBe I akpgEdr.

(Average tariff rates have fallen significantly since 1950’s, and under the Uruguay agreement, they have approached 3.9 percent by 2000. This removal of barriers to trade has taken place in conjunction with increased trade, world output, and foreign direct investment.)

kareFeGayRbesIrceBaH I kxNvneyaK)aneFeGaymankenIn **Foreign direct Investment** (**FDI**). enAcenaHqa 1985 d I 1995 GaRtakeNInénBaNCkmBPBe I akmanrhtd I $135billion kgenaHGkvneyaKbreTsF²man shrdGaemrc CbIn ng Western European. For example, Japanese auto companies have been investing rapidly in Asian, European, and U.S auto assembly operations.

x-bErbIr I énbeckvTüa Technological change.

TngngkarfycHénr)agBaNCkmEd I eFeGaysk I PavbnIykménTpSangp I tkmGac RbBteTA)anenaH karvvténbeckvTüak)anc I rmcENkeFeGaynnakarenHkanEtrkdHda I pgEdr.

CakEsgvtmanén Tele-Communication, Computer Machine, Internet Technology ngbeckvTüaeGLcRtncepSg²eTot)aneFeGaykarrsenA karksan kareFBaNCkm ngkarRbkt RbECg)anpasbr. kardkCBanedayynehaH rfePIg ngk)a I)aneFeGay I hrénp I tp I ngB I krhrBkEngmyeTAkEngmyCvj BPBe I akesIrKanEdnkNt. karTnakTngKangkarbBan Tnnytamry³ Email ngkarEsgrkBtman ngkareFBaNCkmtamry³ Internet (eCommerce))anekIteLIg. kareFBaNCkmf²ngEbk²)anrkdHda I]TahrNvsy FnaKar Fanarabrg dkCBan ng kar I kTn j eday Internet ([www.amazon.com](), [www.ebay.com]() , [www.yahoo.com]() ...).

beckvTüa)anedrtryagsxankgkareFeGayRbesreLgnv l kxNrsenArbsmnsSCatpgng crrmkgkarbE l gnvPaBsKsa j epSg²éncgakp l tkmngesvkmpgEdr. karRbktRbECgedaykar bEnmté l ngkatbnyéfedménkarp l tedaybeckvTüaRtv)aneRbR)asedayRkmhnbcb,n (ATM machine, Internet Bank, Online Sale of Airasia.com).

VI-karpasbrrbPaBrbsesdkcsak l The changing demographics of the global economy

enATsSvtS60 manktaBt4Ed l BNnaGBRbCasaRsénesdkcsk l ³

-shrdGaemrcCaRbeTsEd l RKbdNbe l esdkcngBaNCkmrbsBPBe l ak

-shrdGaemrcCaRbeTseKa l edAénkarvneyaKBeRkARbeTsEd l manskanB l

-shrdGaemrcCaRbeTsEd l manRkmhnGnrCateRcnCageK

-BakkNa l énRbeTskmynsmnGacc l eTAeFBaNCkmGnrCatenARbeTse l akxag l c.

bcb,nktaBtTag4xag l)anpasbrngkBgpasbryagsebm kgenaHkarpasbr TagenaH rmman4dcxageRkam³

-**karpasbrrbPaBén world output and world trade**

-**karpasbrrbPaBén Foreign Direct Investment**

-**karpasbrrbPaBénshRKasGnrCati**

-**karpasbrrbPaBén l dabe l xrbsRbeTskgBPBe l ak**

-**k-karpasbrrbPaBén world output and world trade**

30qaeRkayenHkarFakcHcENkTpSarén world output rbsshrdGaemrckanEteRcn edayCnsmkv j nvRbeTs]sSahkmf² mycnndcCa Ga l mg)arag CbnCaedm. karFakcHenH GacbneTotenAeB l RbeTs]sSahkmf²kBgngbnBRggsmtPaBrbsxndcCa cn ker maeLs Caedm. xageRkamCataragbga j BkarpasbrénTrg World output and trade.

The changing pattern of World output and trade

Country	Share of world output 1963 (%)	Share of world output 1985 (%)	Share of world output 1995 (%)
United States	40.3	21.9	12.2
Japan	5.5	8.2	9.4
Germany	9.7	4.3	10.1
France	6.3	3.5	5.6
United kingdom	6.5	3.4	4.9
Italy	3.4	3.2	4.5

Canada	3.0	2.1	3.9

-x-karpasbrrbPaBén Foreign Direct Investment

RbPBngeKa l edArbskarvneyaKpa l BbreTs)anpasbrpgEd l nabnanqaenH. shrdGa emrc ngRbeTs]sShkmmycnnE l gCaeKa l edAngCacncTakTa j énkarvneyaKGnrCatTeTot ehy. RbeTscn \NensevotNam éf kmCa CaeKa l edAf²énkarvneyaKrbsvneyaKGnrCat.

"The U.S firms accounted for 66.3% of the worldwide FDI flow in 1960s. British firms were second, accounting for 10.5 % while Japanese firms were a distant third, with only 2%."

Share of FDI rbsRkmhnGaemrc)anFakcHCabnbnabBl 44% enAqa 1980 ngmk 25% enAqa 1994.

-K-karpasbrrbPaBénshRKasGnrCati

Definition: A multinational enterprise is any business that has productive activities in two or more countries.

shRKasGnrCatF²bcb,nmnEmnEtshrdGaemrceT mankarTTl sa l nveQaHRkmhn f² (brand names) Cask l CaeRcnkBgektmandcCa³

Japan: SONY, PHILIPS, TOSHIBA, TOYOTA, HONDA...
Korea: LG, SUMSUNG, KIA, HYANDAI...
Germany: BMW, G.W Barth...

-K-karpasbrrbPaBén l dabe l xrbsRbeTskgBPBe l ak The changing world order:

Rank 1996		Rank 1997		Rank 1998		Rank 1999	
USA	1	USA	1	USA	1	USA	1
Singapore	2	Singapore	2	Singapore	2	Singapore	2
Hong Kong	3	Hong kong	3	Hong kong	3	Luxembourg	3
Japan	4	Finland	4	Netherlands	4	Netherlands	4
Denmark	5	Norway	5	Finland	5	Switzerland	5
Norway	6	Netherlands	6	Norway	6	Hong kong	6
Netherlands	7	Switzerland	7	Switzerland	7	Denmark	7
Luxembourg	8	Denmark	8	Denmark	8	Germany	8
Switzerland	9	Japan	9	Luxembourg	9	Canada	9
Germany	10	Canada	10	Canada	10	Ireland	10
New Zealand	11	Britain	11	Ireland	11	Australia	12
Canada	12	Luxembourg	12	Britain	12	Norway	13
		New Zealand	13	New Zealand	13	Sweden	14
Finland	15	Germany	14	Germany	14	Britain	15
		Ireland	15	Australia	15	Japan	16
Britain	19			Taiwan	16	Taiwan	17
Ireland	22			Japan	18		

Review Question:

1. What is globalization?
2. Discuss the changing demographics of the global economy
3. What are the drivers of globalization?
4. Is globalization prosperity or impoverishment?

More Reading
The globalization debate: prosperity or impoverishment?

Is the shift toward a more integrated and interdependent global economy a good thing? There are three major criticism against globalizations. These are:

- **Reduced jobs and incomes**
- **It encourages poor labor practices and environmental policies**
- **National sovereignty of the countries are getting limited**

While many economists, politicians and business leaders seem to think so, globalization is not without its critics. Globalization stimulates economic growth, raises the incomes of consumers, and helps to create jobs in all countries that choose to participate in the global economy. Some of this growth, however, creates “sweatshop” jobs, increases pollution, and draws people from the countryside into ever more crowded cities and slums.

Globalization; jobs and incomes:

One major criticism against globalization is that compared to creating jobs it actually destroys manufacturing jobs in the wealthy advanced countries like US. These critics argue that, falling trade barriers allow the firms to move their manufacturing activities to countries where wage rates are much lower.

In developed countries, labor leaders lament the loss of good paying jobs to low wage countries. When the NAFTA agreement was signed, some politicians warned of a hearing a “giant sucking sound” as jobs left USA for Mexico. Even if the jobs are not lost, it creates downward pressure on wages in industries where overseas production is a viable option. The availability of jobs for unskilled workers is clearly threatened when those jobs can be more efficiently performed elsewhere. One solution to this problem is to increase the education and training of workers in developed countries to maintain employment, and simply let the unskilled jobs go to locations where unskilled workers will accept lower wages.

Bartlett and Steele, two journalists form Philadelphia Inquirer News paper, cite the case of Harwood industries, a US clothing manufacturer that closed US operations, where it paid workers $9 per hour, and shifted manufacturing to Honduras, where workers receive 48 cents per hour. They argue because of free trade, the wage rates of poorer Americans have fallen significantly over the years.

Supporters of globalization reply that these critics miss the essential point about free trade- the benefits outweigh the costs. They argue that free trade results in countries specializing in the production of those goods and services that hey can produce more efficiently from other countries. Even though there is dislocation of jobs but the whole economy is better off as a result.

According to this view, it makes little sense for the US to produce textiles at home when they can produce textiles at la lower cost in Honduras or China. Importing textiles from China leads to lowering costs for cloths in US, which results in US consumers spend less on textiles and more on other items.

At the same time, the increased income generated in China, from textile exports increases income levels in that country, which helps the Chinese to purchase more products produced in US like, Boeing Jets, Intel Computers, Microsoft Software and Motorola cellular phones.

Therefore, supporter of global trade, argue that free trade benefits all countries.

Labor polices and globalization

One of the criticisms against globalization is that free trade encourages developed nations to move manufacturing facilities offshore to less developed countries that lack adequate regulations to protect labor and the environment. They feel that free trade can lead to an increase in pollution and exploitation of labor of less developed nations.

Lower labor costs are only one of the reasons why a firm may seek to expand in developing countries. These countries may also have lower standards on environmental controls and workplace safety. Nevertheless, since investment typically leads to higher living standards, there is often pressure to increase safety regulations to international levels. No country wants to be known for its poor record on health and human safety. Thus, supporters of globalization argue that foreign investment often helps a country to raise its standards.

There is also political and economic pressure on firms not to exploit labor or the environment in overseas operations. Western firms have been the subjects of consumer boycotts when it has been revealed that they, or their independent suppliers, operate at standards below that in developed countries.

National sovereignty and globalization:

With the development of the **WTO (World Trade Organization)** and other multilateral organizations such as the **EU (European Union)** and **NAFTA (North American Free trade Agreement)**, countries and localities necessarily give up some authority over their actions. If the USA wanted to "protect its domestic lumber industry" by preventing imports of lumber from Canada, the dispute would likely be settled by an international arbitration panel set up by the NAFTA agreement or the WTO. Because of its trade agreements, the USA would likely be forced to open its markets to importation of lower cost, higher quality Canadian lumber. While this would clearly be good for consumers, the domestic lumber industry would protest. While clearly some sovereignty (independence) has been surrendered, it has been done to protect the best interests of consumers. If a nation wanted to retreat into a more protectionist position, it could clearly choose to withdraw from its international agreements.

"Under the new system, many decisions, which affect billions of people, are no longer made by local or national Government, but instead, if challenged by any WTO member nation, would be deferred to a group of unelected bureaucrats sitting behind closed doors in Geneva, (HQs of WTO)… at risk is the very basis of democracy and accountable decision making."
Ralph Nader, US environmentalist and consumer rights advocate.

Managing in the global marketplace:

Definition: An International business is any firm that engages in international trade or investment.

A firm does not have to be a MNC investing directly in operations in other countries to engage in International Business. All a firm has to do is to start exporting products or importing products from other countries. As the world shift toward a truly integrated global economy, more firms, both the large and small, are becoming intentional businesses.

As their organizations increasingly engage in cross-border trade and investment, it means managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. Countries differ in their cultures, political systems, economic systems, legal systems, and levels of economic development.

These differences require that business people vary their practices country by country, recognizing what changes are required to operate effectively. It is necessary to strike a balance between adaptation and maintaining global consistency, however. Coca-Cola would not be as successful, nor would Coke be Coke, if it tasted like ginseng in one country, lemon in another, and rhubarb in a third. Clearly, some adaptations need to be made to correspond with local regulations and distribution systems, but some things need also remain consistent in order to benefit from economies of scale in advertising and production.

As a result of making local adaptations, the complexity of international business is clearly greater than that of a purely domestic firm. Firms need to decide which countries to enter, what mode of entry to use, and which countries to avoid. Rules and regulations also differ, as do currencies and languages.

Managing an international business is different from managing a purely domestic business for at least four reasons: (a) countries differ, (b) the range of problems and manager faces is greater and more complex, (c) an international business must find ways to work within the limits imposed by governmental intervention and the global trading system, and (d) international transactions require converting funds and being susceptible to exchange rate changes.