

HOW DO WE UNDERSTAND OUR WORLD TODAY?

# **GLOBALISATION**

# BRAND NAMES AND LOGOS

Recognize these?



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<https://moneyinc.com/richest-companies-in-the-world-in-2019/>

# THE DIGITAL DIVIDE....

The Digital Divide – defined as the gap between those who have access to information and communication through today's technologies, or the skills to use them and those who may not.

However, there is a huge gap between developed nations and developing nations when it comes to access and usage of modern technology. This gap is referred to as the "**Digital Divide**".

Developed Nations dominate the economic climate. Trade, profits and financial activities keep these nations wealthy. This keeps them in powerful, decision making roles because they have access to modern technology.

Developing Nations do not have the computers and access to the internet on nearly the same level. (Some countries don't even have electricity.) A lot don't speak English. This lack of access to such powerful tools undoubtedly hinders their financial progress.

# DIVIDE BETWEEN NORTH AND SOUTH....

The fact is that there is a huge gap between nations in the North and nations in the South. Whilst world trade may have grown form 1200% in the latter half of the 20<sup>th</sup> century, the countries reaping the profits are found in the Developed Nations:

- The wealthiest one-fifth of the world's population receives 82.7% of the total world income
- The remaining four-fifths of the world's population receives 7.3% of the total world income
- The poorest one-fifth receives 1.4% of the total world income

# RICH VS POOR

Many transnational corporations (TNCs) make more money per year than the total income generated in many developing countries.

The assets of the world's 200 richest individuals (mainly CEOs who control them) are greater than those of the poorest 2.4 billion people in the world, over 40% of the world's population.

In the last 20 years the number of people living in poverty has increased in the developing world; in sub-Saharan Africa it has almost doubled. At the same time, individuals and CEOs of TNCs have amassed great wealth.

<https://www.cheatsheet.com/culture/the-richest-and-poorest-countries-in-the-world.html/>

# WHERE DID IT ALL START?

After World War II, the Allied leaders met at Bretton Woods in the USA to determine the future world economy. Obviously it started with a need to rebuild the economies of the European countries after the war and for this to happen, two things were introduced:

1. THE WORLD BANK was established to help with the reconstruction of Europe. It used the investments of its members to finance projects and this is now extended to developing nations, by making available long term loans (20 years).
2. The idea of FREE TRADE - which would allow for trade without restrictions, tariffs and import taxes for the exporters.

# THE WORLD BANK



**THE WORLD BANK**

## **Aims of World Bank:**

- **To grant loans to rebuild Europe after WWII**
- **Worked in conjunction with the Marshall Plan for the re-stabilisation of Europe**

## **Today:**

- **Offers long-term loans (15-20 years)**
- **Acts to assist the economic development of nations by making loans available where private capital is not available.**
- **The bank's projects support and complement the programs of the country taking out a loan**
- **Is currently considered to be a specialised agency of the United Nations**

# THE INTERNATIONAL MONETARY FUND....

The IMF (International Monetary Fund) was also established in 1945 at Bretton Woods. Its purpose was to administer international financial activities.

It also makes short term (3year) loans available to countries that have built up debts. However, these loans come with conditions called **SAPs** (Structured Adjustment Programs). In most countries, the SAPS did not work leaving the country in a worse off condition than before. Eg. Argentina



# THE IMF



## **Aims of IMF:**

- **Is a specialised agency of the United Nations**
- **Created to restore international trade**
- **It aimed to create a pool of currencies and appraises exchange rate policies**
- **Holds consultations with members**
- **Prescribes reform to countries in difficulty**
- **Allowing member countries to loan money in order to correct any balance of payment problems**
- **Acts as regulatory body, policing financial interactions**
- **Also makes short-term loans (3 years)**
- **Insists on the implementation of SAPs to countries who take loans**

# STRUCTURED ADJUSTMENT PROGRAMMES

## CONDITIONS ATTACHED IN THE SAPs:

- Less state control over the economy
- Cutbacks in government spending
- A reduction in the number of people employed by the state
- Privatization of government enterprises
- Increased production in exports

Countries that successfully implemented SAPs include Ghana, Uganda and Botswana but on the whole, the continent of Africa became poorer in the 1990s because of SAPs.

# SUPPORT FOR THE SAPS....

Since the 1980s the IMF and World Bank have provided loans to developing countries. Conditions for these loans are contained in economic reform requirements known as SAPs.

Supporters of SAPs argue that they help developing countries to improve their economies thereby attracting foreign investors and increasing exports. Supporters also point out that globalization is a fact of life and the developing world needs to realize this or risk being left behind. Supporters say that inefficient governments and corrupt governments in developing countries are to blame for poverty and not globalization.

# CRITICISM OF THE SAPS....

SAPs require reforms that damage developing countries. Implementing capitalistic trends and privatizing services and industry does not help many countries.

The World Bank and IMF insist on only supporting countries with exporting economies which leads to an exploitation of natural resources because the only thing those countries have to export are natural resources. Which are then processed in developed nations and sold on the world market at huge profit. Finally, third world debt is crippling developing countries.

Whilst most of the debt has been paid off, paying off the interest is destroying economies. The WTO and IMF have been accused of implementing policies that advantage the developed world.

# THE WORLD TRADE ORGANIZATION....



- Previously referred to as GATT, (Agreement on Trade and Tariffs),
- the WTO promotes free trade among countries by reducing trade barriers that hinder trade in agriculture, mineral and manufactured products.
- It also promotes free services in banking, telecommunications and travel.
- It also supports the principal of intellectual property rights, such as patents which pharmaceutical companies hold on medicines which they have developed.
- It also provides aid and funds to disaster areas and countries who have suffered from natural disasters. Eg Thailand in 2004.

However it remains very unpopular as it is seen to be protect the divide between the poor and the rich.

# THE G8....

The G8 Nations lay down the rules of international behaviour through organizations like the World Bank and the World Trade Organization, which they control. BUT, the developed countries do not themselves abide by those rules!

## **The G8 are:**

The USA, CIS (Russia), France, Germany, Britain, Canada, Italy and Japan

The G20 was formed in 2003 in response to the G8. The leading members were Brazil, Argentina, China, India, South Africa. These countries sought to oppose the power of the G8 and the WTO because the developing nations interests were NOT represented by the G8.

# FREE TRADE (?) & GOVERNMENT SUBSIDIES

It was agreed that countries would stop their “protection barriers” and allow countries the opportunity to trade freely with them. This was to help developing nations and to encourage the flow of free trade.

However, the USA and E.U. give fat farm subsidies and high import tariffs to protect their local agricultural output and industry. (A good example was France. South Africa could not sell wine in that country at a competitive price.) This makes it very difficult for poor developing countries to sell their goods in those nations at a competitive price; they simply can't compete. On the other hand, developing nations have to lower their import duties and so big nations can flood their markets with imported goods.

# PRO GLOBALISATION ARGUMENT....

- World trade has increased
- Creates healthy competition
- Ensures that scarce resources are used effectively
- Greater access to goods and more choice
- Cheaper to make and sell
- Unchecked flow of information and ideas which pushes boundaries
- Privatisation of state enterprises of state enterprises leads to better services
- Foreign investment creates jobs
- Creates lasting poverty reduction
- Lack of government intervention over the economy promotes economic growth and jobs



# THE SUPPORTERS ARGUMENT....

- Economics, not politics and armies, will determine what happens in the world
- The importance and power of individual nations will decline in their place power will be determined by global markets and dominated by transnational corporations, which are above narrow national interests
- Increased international trade will create economic growth and prosperity
- This prosperity will change dictatorships into democracies
- A reduction of poverty and strengthening of democracy will result in greater world security - and less support for violence and terrorism

- **It improves economic growth**
- **It improves standards of living**
- **Allows for direct foreign investment**
- **Results in pollution reduction technology**
- **Results in a reduction of tension through institutions such as WTO**
- **Promotes and facilitates improved technology**
- **Advocates for improved global workplace standards**
- **As a result of globalization, world trade has increased**
- **Creates healthy competition**
- **Ensures that scarce resources are used effectively**
- **There is a greater access to goods and more choice**
- **Theoretically, goods are cheaper to make and cheaper to sell**
- **Facilitates for the unchecked flow of information and ideas which pushes boundaries**
- **Privatization of state enterprises leads to better services**
- **Foreign investment creates jobs**
- **Creates lasting poverty reduction**
- **Lack of government intervention over the economy promotes, less red tape**
- **Economic growth and jobs**

# THE CRITICS ARGUMENT....

- The problems created outweigh the benefits
- Promotes greater inequality: the rich get richer
- It's really just Neo-Colonialism: economic control by developed nations
- Creates a divided world with greater potential for conflict gives the WTO, IMF and World Bank too much power and dominance
- Privatisation is not regulated which leads to the exploitation of workers and sweatshops
- Huge potential for instability and upheaval
- Uncontrolled destruction of the environment
- Loss of national sovereignty, especially in developing nations

- **Less competitive industries are at a disadvantage as smaller companies cannot compete with bigger companies on the same level**
- **Poor wages, which results in a drop in living standards**
- **Increase in the spread of diseases**
- **Increased vulnerability to global economic problems**
- **Environmental exploitation**
- **Reduction of indigenous agricultural communities**
- **Brain drain fuelled by attractive salaries in richer nations leaves developing nations without future prospects**
- **The problems created outweigh the benefits for the developing nation**
- **Promotes greater inequality: the rich get richer**
- **It's really just Neo-Colonialism: economic control by developed nations**
- **Creates a divided world with greater potential for conflict gives the WTO, IMF and World Bank too much power and dominance**
- **Privatisation is not regulated which leads to the exploitation of workers and sweatshops**
- **Huge potential for instability and upheaval**
- **Uncontrolled destruction of the environment**
- **Leads to a loss of national sovereignty and cultural identity, especially in developing nations, as everywhere everyone is becoming 'westernized'.**

# RESPONSES TO GLOBALISATION....

As a result of Globalisation there have been other trends that have dominated the world stage:

- Popular Protest - protestors against the IMF, WTO and World Bank believe that the global society should function in the interest of the people, not big business.
- Artists and Musicians - use their forums to make political statements criticizing government and world policies.
- Non-Government Organizations (NGOs) multiplied allowing the average citizen membership and the potential to solve global problems through international co-ordination and action.

# NGOS....

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There are more than 50 000 registered Non-Government Organizations in the world, opposing Globalisation!

EXAMPLES OF NON-GOVERNMENT ORGANIZATIONS:

- Doctors without borders
- Green Peace
- world Social Forum (WSF)
- Rain Forest Alliance
- Friends of the Earth
- World Wildlife Fund
- Amnesty International
- Environmental Justice Foundation

# THE IMPORTANCE OF NGOS....

In some countries consumers have used their buying power to challenge globalization. The Fair Trade movement aims to ensure that a fair price is paid to developing countries for its products. Buying environmentally friendly products also is a method which consumers can use to keep TNCs accountable. The No Sweat and Labour Organization campaigns for better working conditions in factories owned by TNCs and for the abolishment of sweatshops. Another idea is buy local products (called "localisation") whereby the support of local farmers and products can be sustained.

# ETHNIC AND POLITICAL RESPONSES....

- Immigration control
- Population registration
- Resulting genocides and civil wars
- Call for “Economic nationalism” – back to protectionism
- Growth of fundamentalist religious extremism
- Growth of religion and Holy Wars to justify political acts
- Terrorism
- Loss of national identity and pride
- Growth of a Socialist challenge to Democracy and Capitalism
- Better rights and opportunities for women



# 2018

In 2017, there was strong growth across most of the world. The proportions of trade, capital, information, and people flows crossing national borders all increased significantly. The last time that happened was 2007.

Depth of global connectedness, relative to 2001



Note: Information flows consist of the international share of internet traffic, the international share of total telephone call minutes, and trade in printed publications per capita. Prior to 2005, information flows measured the latter two metrics only. Source: DHL Global Connectedness Index 2018

HBR

In 2018, however, major policy threats turned from rhetoric to reality. Disputes between the United States and its largest trade partners prompted tit-for-tat tariff increases. Meanwhile, countries tightened screening of foreign corporate takeovers, advanced data localization policies, and clamped down on immigration. While we do not yet have complete 2018 data, there is evidence that such developments have begun to affect some international flows. Trade continued growing but at a slower pace while foreign direct investment (FDI) flows declined.

# THE WORLD TODAY....

Do you know that today's 8 year old, in a developed nation, will have a career doing a job that hasn't even been invented yet! In fact, it is expected that he will end up moving from job to job over 21 times in his lifetime. So much of what we know to be important now, will fall away as we make way for a technological future. The future is an economic one, it's always been about the money, it will always be about the money. Hence the reason why CHINA is expected to dominate the world market and why it is important that you learn Mandarin! Let's hope that the future will ensure Human Rights and Freedoms, Democracies and Equal opportunities for all.

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<https://www.digitalnewsasia.com/digital-economy/telco-deep-dive-2018-digital-divide-malaysia-leaves-much-more-work-be-done>

<https://hbr.org/2019/02/the-state-of-globalization-in-2019-and-what-it-means-for-strategists>

<https://www.cheatsheet.com/culture/the-richest-and-poorest-countries-in-the-world.html/>