



ECONOMIC GLOBALIZATION

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HISTORY



- ❑ THE INDUS VALLEY CIVILIZATION all the way to MESOPOTAMIA
- ❑ Early as 4000 BC
- ❑ Mesopotamia - TOKEN SYSTEM as COMMODITY MONEY



ECONOMIC GLOBALIZATION

- COMMUNICATION
- TRANSPORTATION
- TRADE



✓ COMMUNICATION

- MODERN COMMUNICATION TECHNOLOGY AND MASS MEDIA ARE GLOBAL STANDARD
- IT'S RELATIVELY EASY AND INEXPENSIVE TO STAY IN TOUCH



✓ TRANSPORTATION

- TRAVEL AND SHIPPING ARE CHEAP AND SAFE



✓ TRADE

- MULTI-NATIONAL CORPORATION HAVE GLOBAL REACH AND INCREASING POWER

e.g.. McDonald Corp., Intel Corp. etc.

- GOVERNMENTS HAVE DECREASES TARIFFS AND REGULATION ON INTERNATIONAL TRADE



FORMS OF ECONOMY

- PROTECTIONISM
- TRADE LIBERATION



PROTECTIONISM

- Protecting one's economy from foreign competition by creating trade barriers
- Domestic products > Imported goods
- ✓ **TARIFF-** tax levied by a government on imports and exports.
The money collected from tariffs is called a customs duty
- ✓ **IMPORT QUOTA-** limits on the number of products that can be imported into a country
- ✓ **BANS-** forbid products on import goods



TRADE LIBERATION

- also called “ FREE TRADE”
- Act of reducing trade barriers to make international trade easier between countries

× ~~TARIFF~~

× ~~IMPORT QUOTA~~

× ~~BANS~~



INSTITUTION OF GLOBALIZATION

- World Bank
- International Monetary Fund (IMF)
- World Trade Organization (WTO)



WORLD BANK



- Also called Int'l Bank for Reconstruction and Development (IBRD)
- Increases in economic growth and decreases poverty in developing countries
 - e.g. Increases in education since 1962 like Bangladesh, Chad and Afghanistan





WORLD TRADE ORGANIZATION (WTO)

- Formerly known as General Agreement on Tariffs and Trade (GATT)
- Deals with the rules of trade between nations, settles trade disputes and conducts negotiations

e.g. (May 2013) Japan and European Union brought a case to WTO regarding unfair renewable energy subsidies offered in Ontario



INTERNATIONAL

MONETARY FUND

(IMF)

- Provides short term loans to countries when an emergency occurs

e.g. Yemen receive 93 Million USD (2012) during struggle to terrorism



BENEFITS VS DRAWBACKS

- ✓ Solves trade disputes between countries in a peaceful ways
 - × But only focuses on developed nation
- ✓ Lowers the cost of goods and services for those developed nation
 - × To achieve low cost, labour rights and environmental concerns are ignored
- ✓ Promotes economic growth in developed countries
 - × Favour the rich nations and powerful trans-national corporation



Examples of Globalization

- I. **Multinational corporations operate on a global scale, with satellite offices and branches in numerous locations**
- II. **Outsourcing can add to the economic development of a struggling country, bringing much needed jobs**
- III. **Some automobiles use parts from other countries, as in a car being assembled in the United States with the parts coming from Japan, Germany, or Korea**
- IV. **The Free World Trade Organization supervises world trade**
- V. **The European Union is an economic and political union of 28 countries that are located primarily in Europe**
- VI. **The North American Free Trade Agreement (N.A.F.T.A.) is a trade bloc in North America**
- VII. **One shirt sold in the United States could have been made from Chinese cotton by workers in Thailand. Then it could have been shipped on a French freighter that had a Spanish crew**
- VIII. **A McDonald's in Japan and other countries shows the growth of companies over the entire world**



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