Contents

2 The global economy

2 The global economy

2.1 Overview

2.1.1 What is globalisation?

Australia is engaged in trading relationships with countries all over the world, particularly with those in the Asia region. In fact, all advanced economies rely on trade as a means of generating economic growth. The less advanced economies of Africa and Asia are also trying to advance their trading interests to generate growth and prosperity in their own countries. This flow of goods and services between countries, and the money flows that accompany this trade, have increased global interdependence between the trading countries' household, business, financial and government sectors. As a result, what happens in one country affects the activities of similar sectors in many other countries. This process of growing interdependence between countries is known as globalisation.

Figure 1 This recently cleared and burnt rainforest area in the Brazilian Amazon has been turned into a cattle ranch for the export of beef.

Globalisation presents many issues for businesses, households, governments and financial intermediaries to consider:

- When overseas businesses take over local businesses, decisions that affect local employees and customers may no longer be made by local management. This may not be in the interests of either the employees or consumers.
- The power and reach of the United States entertainment industry has meant that music, language, fashion and culture have become increasingly standardised throughout the world. This may or may not be regarded as a positive trend.
- Some large international businesses are wealthier and possibly more powerful than the governments of some smaller and medium-sized countries. If one of these companies wants access to the resources in such a country, can the country's government guarantee the best deal for its people?
- How well do we balance the economic interests of increased trade and globalisation with the importance of environmental sustainability?

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2.2 Globalisation and the international economy

2.2.1 The economic issues of globalisation

Globalisation provides the means for increased interaction between the consumers, producers, workers and governments in one country's economy with their counterparts in the economies of other countries. Many people use the term 'globalisation' to describe the strengthening economic ties between nations, and the resulting trade and investment opportunities. Some use it to refer to the increasing exchanges between nations at the social, political, cultural and technological levels. For others, globalisation refers to our ability to rapidly communicate with and travel to other regions of the world. In this topic we focus on the economic issues associated with globalisation and the way they affect all participants in the global economy.

2.2.2 What are the benefits of globalisation?

Globalisation can be a driving force for economic growth (an increase in the size of the economy as measured by gross domestic product). As countries encourage free trade with other countries, new markets are created. Selling more products increases company profits, and this means companies can afford to hire more workers. As a result both companies and workers become wealthier, and the standard of living improves. As discussed in topic 1, a trade surplus with our trading partners will result in an increase in wealth coming into the country and contribute to the circular flow of money.

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Trade helps to ensure that resources are used efficiently to produce goods and services. It enables nations to specialise in the products that they make efficiently or grow naturally. At the same time, producers competing on a global rather than a national level must operate efficiently to keep prices competitive. This increased focus on efficiency and cost savings provides flow-on benefits for both producers and consumers.

Figure 1 Greater choice and an increased variety of goods and services is a flow-on benefit of globalisation for consumers.

2.2.3 What is the downside of globalisation?

Globalisation can create unfair working conditions for many workers in poor countries. Large **transnational corporations (TNCs)**, for example, may shift their production factories to poorer countries where they can hire labour more cheaply. These workers may be forced to work long hours in unsafe and unhealthy factory environments for a very small wage. Workers in the home country of the TNC may lose their jobs altogether.

As well as choosing countries that have cheaper labour, TNCs may also choose to locate in countries where environmental regulation is less stringent. This may result in exploitation of natural resources and damage to the natural environment, often with little or no benefits flowing on to local communities.

Critics of TNCs who exploit labour laws by providing poor conditions and low wages for their workers often stage boycotts of the goods and services these companies provide. Do you think this is an effective strategy to put pressure on these companies? What else could be done to force a change in this behaviour? [Ethical capability]

TNCs also have the ability to undercut prices charged by competitors, often forcing smaller producers to close down. This results in job losses, less competition and less choice for consumers. Removal of competition can then allow TNCs to raise product prices.

Figure 2 A downside of globalisation is the deplorable working conditions faced by many workers in poorer countries.

2.2.4 Who oversees the global market?

A number of international organisations oversee the flow of goods, services and finance around the world. These include:

- *World Trade Organization (WTO)*. Established in 1995, the WTO administers the rules of international trade. It is an influential organisation that has the power to rule on international trade disputes.
- *International Monetary Fund (IMF)*. Established after World War II, its main function is to provide an orderly way of financially assisting developing countries.
- *Organisation for Economic Co-operation and Development (OECD)*. This organisation develops economic and social policy for its members. Its 30 member countries include Australia, Japan, Korea, New Zealand and countries in western Europe and North America.

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2.2.5 What does globalisation mean for Australia?

Globalisation has affected our country in many ways:

- Many Australian companies now operate internationally, increasing their profits by selling their goods and services worldwide. Some have established their production centres in regions such as Asia to reduce labour costs.
- Globalisation has forced Australian farmers to compete at a global level to sell products such as wheat and wool. Previously they could rely on selling their crops and stock to established trading partners.
- Overseas investment by Australian companies helps to create employment and wealth in those overseas countries. Similarly, investment in Australia by overseas companies may create growth and employment opportunities that improve our standard of living.
- Importing a huge variety of goods and services allows consumers greater choice, usually at cheaper prices. Overseas-made products in almost every Australian home include electrical goods, CDs, food items, clothing and footwear, numerous television programs and, increasingly, the family car.

Figure 3 Globalisation in the form of shipping goods to or from other countries has advantages for Australian businesses and consumers.

2.2.6 Is globalisation environmentally sustainable?

As the world population grows, demand for goods and services increases. Meeting this demand requires greater use of renewable and non-renewable natural resources. The manufacturing processes involved in producing the increased quantities of goods demanded results in increased pollution levels and many dangerous by-products. Other serious environmental problems associated with meeting increased demand include the hole in the ozone layer, destruction of old-growth forests, extinction of many plant and animal species, and climate change.

Both consumers and producers are becoming increasingly aware of the need for environmental sustainability.

Figure 4 Clear-felling forests helps to meet rising demands for timber. It also reduces the availability of tree hollows in old-growth forest needed by some Australian species as their habitat.

2.2.7 How does the internet benefit globalisation?

The internet allows huge amounts of information to be accessed or shared very quickly, facilitating the exchange of information and ideas between individuals, businesses and governments around the world. As e-commerce (commercial transactions such as advertising, buying and selling on the internet) increases, isolated groups such as rural exporters will be able to operate more competitively. This will provide growth opportunities for many country towns and out-of-the-way remote businesses that might otherwise have difficulty in reaching a large market.

Figure 5 Greater access to the internet enables even small or isolated businesses to compete efficiently in a globalised market.

2.3 Imported products in our local shops

2.3.1 Imports — positive or negative?

You may not realise it, but you have been living with and consuming imported products all your life. In fact if your parents used disposable nappies, you would have come into contact with imports the day you were born. But have you ever stopped to think about what effects imports have on the Australian economy? It can be argued that money going out of Australia to pay for imports is likely to reduce our wealth. Yet many imported goods are cheaper than those locally produced, allowing us to buy more and make our money go further.

2.3.2 What is an import?

An import is a good or service that is produced overseas and brought into Australia. Businesses bring imports into the country and then sell them to other businesses or directly to the public. When we travel and spend money on an overseas holiday, this has the same effect on the economy as importing goods and services. In this case we are taking our money to other countries to spend on goods and services there rather than physically bringing the products to our country. The economic effect is that the money goes to overseas businesses, so the impact on the Australian economy is the same.

Similarly when overseas tourists come to Australia and spend their money, this has the same impact on our economy as exporting goods and services. In this case, money from overseas consumers is coming into Australia and being paid to Australian businesses just as if those businesses had sent their products overseas. Economists sometimes refer to the spending of money by Australians overseas as ‘invisible imports’ while the spending of money here by overseas visitors is referred to as ‘invisible exports’.

Figure 1 The spending of money by overseas tourists in Australia is called invisible exports.

2.3.3 Where do you find imports?

You will find imported products in most shops. Check the shelves in your local supermarket, or go into any store selling electrical goods. Look at the labels on the clothes in your wardrobe or other products you have bought recently. Most businesses carry a range of products that are made both locally and overseas. Imported products can also be bought online, bypassing local business that import goods to sell to Australian consumers.

Figure 2 Consumers can find imported goods in almost every store.

2.3.4 From whom do we import?

Australian imports come from all over the world. Globalisation allows us to buy overseas products in local stores or in our own homes using the internet or telephone.

As we can see from table 1, over 50 per cent of our imports in the 2013–14 financial year came from six of our ten largest trading partners. Our top 30 sources of imports accounted for almost 90 per cent of the total value of all imported goods.

Table 1 Value of overseas imports of goods by top 30 countries of origin, Australia, 2014–15.

Country of origin	Goods imported	
	$ million	%
China	56,994.2	22.2
United States of America	27,449.0	10.7
Japan	18,236.0	7.1
Korea, Republic of	13,546.5	5.3
Thailand	12,116.3	4.7
Germany	11,761.5	4.6
Singapore	10,676.7	4.2
Malaysia	10,143.4	4.0
New Zealand	7,627.5	3.0
United Kingdom	6,242.7	2.4
Italy	5,925.2	2.3
Indonesia	5,337.5	2.1
Vietnam	4,893.9	1.9
Taiwan	4,765.8	1.9
France	4,133.7	1.6
India	3,799.6	1.5
Papua New Guinea	3,401.9	1.3
United Arab Emirates	3,115.4	1.2
Switzerland	2,984.7	1.2
Mexico	2,254.7	0.9
Canada	2,219.5	0.9
Spain	1,984.1	0.8
Netherlands	1,974.7	0.8
Sweden	1,911.4	0.7
Ireland	1,822.9	0.7
Belgium	1,658.5	0.6
Hong Kong (SAR of China)	1,212.9	0.5
Denmark	1,090.6	0.4
South Africa	1,082.2	0.4
Austria	1,062.6	0.4
Total top 30	**231,425.5**	**90.3**
Other	24,996.6	9.7
Total	**256,422.0**	**100.0**

p = preliminary (as at June 2015 release)

2.3.5 What goods and services do we import?

Table 2 shows the top ten imports of goods and services into Australia in 2014. Although it only made up 7.3 per cent of total imports by value, the largest single import was the invisible import of Australians travelling and spending money overseas. While we are used to seeing imported clothing and electrical goods in our shops, neither of these types of imports were included in the top ten in 2014.

Table 2 Australia's top ten goods and services imports in 2014 (A$ million)

Rank	Commodity	Value	% share
	Total (b)	**336,957**	
1	Personal travel (excl. education) services	24,597	7.3
2	Crude petroleum	20,050	6.0
3	Refined petroleum	18,579	5.5
4	Passenger motor vehicles	17,566	5.2
5	Telecom equipment & parts	9,845	2.9
6	Freight transport services	9,686	2.9
7	Medicaments (incl. veterinary)	7,497	2.2
8	Computers	7,316	2.2
9	Passenger transport services (c)	6,141	1.8
10	Goods vehicles	6,008	1.8

a) Goods trade are on a recorded trade basis, Services trade are on a balance of payments basis.
b) Total is balance of payments basis.
c) Includes Related agency fees & commissions. Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0

Figure 3 Motor vehicles and petroleum are among the many imported products sold in Australia.

2.3.6 Why do we import goods and services?

Australia imports many products, and does so for many reasons. Australian producers may not make a product as efficiently as it is made in another country, or a particular raw material may not be produced in sufficient quantities to satisfy demand. Australia began mining its own reserves of petroleum in the 1960s, but production peaked in the year 2000 and has been in decline ever since. As a result the importation of both crude and refined petroleum has steadily increased since then, amounting to over 11 per cent of all imports in 2014. The importation of all motor vehicles amounted to almost 10 per cent of imports in 2014 and, with the expected closure of Australia's motor manufacturing plants after 2017, this percentage is likely to increase.

Figure 4 Most electrical goods sold in Australia, such as TV sets, are imported.

2.3.7 How do imports affect the economy?

Spending on imports is higher in most years than spending on exports. Bringing imports into the country has both positive and negative effects for consumers and producers (see table 3).

Table 3 Economic effects of imports

Positive effects	Negative effects
• There is an enormous range of goods and services for consumers to buy. • Australian producers are forced to make goods and services using resources in the most efficient way because they have to compete against cheaper imported products. • Importing goods from other countries encourages those countries to buy our exports. • Australian workers may move overseas and learn other languages and cultures. • More trade between countries encourages peaceful relationships and cultural exchanges.	• Australian jobs may be lost to countries with cheaper labour costs. • Imported resources may lower employment opportunities for Australian workers. • Australian industries find it difficult to compete with the lower production costs of some overseas countries. This leads to a closure of industries and loss of skills. • Money leaves the country to circulate overseas, rather than in Australia, affecting the exchange rate of the Australian dollar. • Harmful animal species as well as diseases, such as bird flu, may be brought into the country in various ways.

Overall, do you think that imports have a positive or negative effect? What made you reach your decision either way? Think about all of the effects of importing goods and services, from the increased range on offer, to the environmental consequences, and the impact on Australian workers. [Creative and critical thinking]

2.4 Global supply chains

2.4.1 Land, labour and capital

In the globalised economy, the manufacture of many goods that we purchase is not restricted to one country. All goods are manufactured using a combination of raw materials (known to economists as land), human skill and effort (labour), and factory buildings and equipment (capital). Manufacturing today can have different combinations of these three resources located in many different parts of the world, with the final product sold in a variety of different countries. The combination of different resources, businesses and information that moves a product or service from producer to consumer is known as the supply chain.

2.4.2 Supply chain management

A major concern of any transnational corporation is the management of the supply chain. Raw materials have to be sourced from various parts of the world, and these raw materials may then be processed in a number of different countries. The manufacturing steps may occur in several locations before the finished product is available for sale.

Figure 1 The popularity of Nokia phones has prompted the company to globalise its operations.

Supply chain management can be illustrated by examining the production of the mobile phone. One of the most successful mobile phone suppliers of the last 20 years has been the Nokia company. Nokia is a Finnish company that has not always produced phones. It has been in operation for over 140 years and produced a variety of goods including cables, toilet paper and rubber boots.

In the early 1990s, Nokia reinvented itself and started focusing on technology in the mobile phone industry. With this change in focus the company began operations as a transnational business, operating factories and selling its product worldwide.

This transformation did not come without its problems. The popularity of mobile phones and the Nokia brand meant that in 1996 the company did not have the factories capable of producing the number of phones demanded. In response to this it began the globalisation of the Nokia operation, with a particular emphasis on updating its supply chain management.

2.4.3 The Nokia supply chain

The manufacture of a mobile phone is a worldwide process, with countries from every continent involved.

Raw materials

The electronic and electromechanical components of a mobile phone require a variety of minerals, sourced from all over the world. Copper for internal wiring comes mainly from Chile, Australia and Peru, although this important metal is also supplied by other countries in South America, Asia and Africa. Other minerals such as cobalt and tantalum from central Africa, and zinc, mercury and nickel from Africa, Asia, South America and Australia are all required in phone manufacturing. Plastics for the phone cases have to be processed as a by-product of petroleum from the Middle East and other oil producers.

Figure 2 Many of the minerals used in mobile phones are mined in Africa.

Production of components

Nokia originally made its mobile phones in Finland but, because it was unable to meet demand, opened factories in other locations around the world. For many years Nokia in Finland made a number of phone components itself, and purchased other components from around a hundred different specialist components manufacturers as well as a large number of software suppliers. Electronic circuits, liquid crystal displays, cases and batteries were all then shipped from different parts of the world to be assembled into mobile phones. Since 2011, Nokia has been forced by the competitive nature of the smartphone market to further restructure its operations. In 2012 it closed its last factory in Finland, and now only produces its phones in its remaining eight factories worldwide (see figure 3).

Figure 3 Nokia handset factories

Assembly

Assembly of Nokia handsets takes place at eight different factories worldwide — Asia, Europe, and North and South America (refer back to figure 3). This is in response to a demand by telecommunications companies in different countries for telephones that have key features under that particular brand. Nokia takes orders from the carriers (such as Vodafone) into its production system and transforms them into hundreds of thousands of specialised phones for each carrier. This can mean that a carrier can have a unique faceplate with its logo, or with specialised software installed. It costs on average $90 to produce a telephone, although this can vary from $20 to $130 depending on the features of the telephone. Nokia then sells its product for 33 per cent more than its production costs.

In 2013 Nokia announced that its phone devices and services division would be sold to Microsoft, to become Microsoft Mobile. This means that the division became part of the Microsoft transnational corporation, and its supply chain became integrated with that of Microsoft worldwide.

Figure 4 Assembly of Nokia mobile phones takes place in factories all around the world, including China.

Sustainability issues in supply chain management

Many of the materials used in mobile phones are toxic to both humans and wildlife. Minerals such as coltan, mercury and lead can cause serious problems if they are released into the environment. Plastics, solvents and chemicals such as bromine and chlorine can also be hazardous if they seep into the soil or into the water table. It is important for phone producers to ensure their manufacturing processes do not allow dangerous materials to be released into the environment. The recycling of old mobile phones is also a significant issue.

Nokia is aware of the impacts its products have on the environment. Environmental concerns are built into its operations throughout the product life cycle — including design, production and the minimal use of energy — but it has less control over environmental impacts associated with consumer use and the disposal of old models. Consumers are increasingly encouraged to recycle old phones, and this has helped to reduce the landfill waste associated with the level of technological progress that has taken place.

Figure 5 The disposal of old mobile phones has a significant impact on landfill waste.

Changing market share

Mobile phone sales have continued to grow. More than 1.2 billion mobile phones were sold worldwide in 2007, rising to around 1.8 billion in 2014. The development of the smartphone and advancements in smartphone technology have changed the fortunes of the world's mobile phone producers since 2007. In that year the Apple iPhone introduced touch-screen technology into the market, radically changing the way users could interact with their mobile phones. In 2008 Nokia was still the largest producer of mobile phones with 36 per cent of the market. By 2014 its market share had fallen to 11 per cent and Samsung had moved to first place with 28 per cent of the market, due in part to its use of the increasingly popular Android operating system.

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Global mobile phone market share

Interactivity: Global mobile phone market share

2.5 Transnational corporations

2.5.1 What is a TNC?

A transnational corporation (TNC) is a business that produces and sells its products in a number of countries throughout the world. TNCs have their headquarters in one country and they establish subsidiaries in other countries. The subsidiaries are located in countries that provide the resources and conditions necessary for them to operate. TNCs represent the highest level of involvement in global business, where national borders do not represent barriers to trade. TNCs conduct a large percentage of their business outside of their home country.

2.5.2 Worldwide assets and sales

TNCs come in many different forms. Sanyo, McDonald's, Unilever, Ford, News Corporation and BHP Billiton are just a few of the well-known foreign and Australian transnational corporations.

Figure 1 Neon signs in London showing examples of TNCs

The degree to which a business is a genuine transnational company can be measured by examining the proportion of its sales that occur outside its home country. Table 1 shows ten of the largest transnational corporations and the percentage of their sales that occur outside their home countries.

Table 1 Ten largest TNCs by percentage of sales that occur outside home countries.

Company	Home country	Overseas sales as a percentage of total sales
Nestlé	Switzerland	97.8
Vodafone	Britain	88.3
Siemens	Germany	85.3
British Petroleum (BP)	Britain	79.8
Volkswagen	Germany	78.3
Honda	Japan	77.7
Total (oil)	France	76.9
Exxon Mobil	USA	73.0
GDF Suez (electricity)	France	65.6
Toyota	Japan	60.8

Source: Table based on information from the UN Committee on Trade and Development (UNCTAD).

Many of these corporations have factories and assembly plants spread around the world. For example, car manufacturer Toyota has manufacturing or assembly plants in 27 different countries spread across Europe, North and South America, Asia and Africa, in addition to its home base in Japan. Just under 40 per cent of

Toyota's employees work in countries other than Japan, and in 2012 it became the first motor manufacturing company to produce more than 10 million cars in one year worldwide. Oil companies such as Exxon Mobil and BP drill for oil in different locations across the world and have oil refineries in many countries. French energy company GDF Suez owns electricity generation assets around the world, including a number of gas-fired power stations in Western Australia and South Australia, and the Hazelwood and Loy Yang B brown-coal power stations in Victoria.

Figure 2 A Toyota dealership in Lithuania

2.5.3 The biggest and richest

Some of the largest transnational corporations have annual revenues that exceed the GDP of many countries. In 2011, only 25 countries (out of a possible 193 that are members of the United Nations) had a GDP that was larger than the revenue of any of the top three transnational corporations. The top six transnationals filled six of the next ten positions between the 25th and 35th largest **economic entities**. Each of these six TNCs had revenues larger than the GDP of countries including Thailand, Denmark, Greece, Finland, Malaysia, Israel, Ireland and New Zealand. The top 15 transnational corporations by revenue for 2014 are shown in table 2.

Table 2 Top 15 transnational corporations by revenue, 2014

	Company	Home country	Activity	Revenues ($US million)
1	Walmart	USA	Retail	485 651
2	Sinopec Group	China	Oil and gas	446 811
3	Royal Dutch Shell	Netherlands/Britain	Oil	431 344
4	China National Petroleum	China	Oil	428 620
5	Exxon Mobil	USA	Oil	382 597
6	BP	Britain	Oil	358 678
7	State Grid	China	Electricity supply	339 426
8	Volkswagen	Germany	Car manufacture	268 566
9	Toyota Motor	Japan	Car manufacture	247 702
10	Glencore	Switzerland	Mining	221 073
11	Total	France	Oil	212 018
12	Chevron	USA	Oil	203 784
13	Samsung Electronics	South Korea	Electronics	195 845
14	Berkshire Hathaway	USA	Finance/investment	194 673
15	Apple	USA	ICT	182 795

2.5.4 Some positives and negatives of TNCs

In recent years, over 60 per cent of the 175 largest economic entities in the world have been transnational corporations. If the wealthiest TNCs have revenue greater than many small to medium countries, they have enormous power. If a TNC uses this power in the best interests of the people of those countries in which it operates, those people can benefit enormously:

- Investment from TNCs brings money into the country, bringing economic growth to that country.
- Parent companies and their subsidiaries may share intellectual property such as design and technology concepts. This helps less developed economies become more advanced. The flow of ideas and talent is also supported by the movement of staff between countries even though they remain employed by the same TNC.
- The standard of living of people in less developed countries can be improved as jobs are created.
- Transnational corporations sometimes contribute towards the provision of new transport links to service their premises, and this can be of benefit to the local community.
- When a transnational company builds a new factory, this can stimulate other businesses in the surrounding area. Businesses supplying raw materials, equipment and components to the factory can benefit.

Figure 3 This railway line in the Pilbara in Western Australia is an example of a transport link built by a transnational mining company.

On the other hand, if the transnational company does not act ethically, there may be very little that the government of a host country can do simply because of the financial power wielded by the large company. Some transnational corporations have been found to have acted in ways that have exploited host countries and their people:

- Transnational corporations often set up production in countries that have high levels of poverty and low wages. They often employ young children, pay workers the minimum amount possible, and provide very little in the way of safe working conditions or employee benefits such as meal breaks, sick pay, holiday pay or superannuation.
- Profits are often returned to the home country rather than being used to benefit the economy of the host country.
- Many transnationals will bring their own managerial and skilled staff with them, leaving only menial work for the local population.
- Many transnational corporations have a poor record in environmental matters. They often exploit the laxity of environmental regulations in the host country to pollute the air and waterways there.
- Transnational companies often use complex systems of **transfer pricing** to avoid paying tax on profits earned in the host country. This means that the government of the host country does not gain much additional revenue from the operations of the TNC.

Figure 4 This young boy working in a textile factory in India is making clothes to supply a transnational clothing company.

2.5.5 Regulating the activities of TNCs

As a result of international concerns over the activities of some TNCs, the United Nations identified some key responsibilities for the largest transnational corporations:

1. Do not use forced or compulsory labour.
2. Respect the rights of children to be protected from economic exploitation.
3. Provide a safe and healthy working environment.
4. Pay workers enough to ensure an adequate standard of living for them and their families.
5. Recognise the rights of employees to join unions and other collective bargaining organisations.

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2.6 SkillBuilder: Developing graphs from tables

2.6.1 Tell me

One picture is worth a thousand words. While a table of data can provide useful information, presenting this data as a graph can make the information more accessible and easier to read. Spreadsheet software such as Excel can be used to create graphs from tables, and the process is very simple.

2.6.2 Show me

2.6.3 Let me do it

2.7 Review

2.7.1 Summary

- Globalisation provides the means for increased interaction between consumers, producers, workers and governments in one economy with their counterparts in other economies.
- Increased trade between nations has helped to fuel economic growth and assist poorer countries to achieve higher standards of living.
- Globalisation has also led to the growth of large transnational corporations, many of which have used their power to exploit workers in poorer countries.
- Australia has benefited from globalisation because of the overseas demand for our mineral resources and the access to cheaper imported products for consumers. On the downside, cheaper imports have led to the closure of many of our own manufacturing industries.
- Globalisation has created a great deal of environmental damage throughout the world, leading to the international community becoming more aware of the need for sustainability and environmental protection.
- Australia relies heavily on imported goods brought in from countries all around the world.
- Over 50 per cent of our imports in the 2014–15 financial year came from six of our ten largest trading partners, while our top 30 sources of imports accounted for almost 90 per cent of the total value of all imported goods.
- Australia imports goods and services because our local producers may not make a product as efficiently as it is made in another country, or a particular raw material may not be produced in sufficient quantities to satisfy demand.
- In globalised manufacturing industries, raw materials, components and machinery can come from a variety of sources from all over the world, making supply chain management a major task for transnational corporations.
- Mobile phone manufacturer Nokia is an example of a company that had to set up factories all over the world to satisfy demand for its products.

- With factories in eight different countries, supply chain management is a key concern for a company like Nokia.
- Environmental sustainability and the ethical treatment of workers in poorer countries are issues that must be considered in the supply chain management of all transnational corporations.
- Transnational corporations are large business organisations that have their home base in one country and operate partially owned or wholly owned businesses in other countries.
- Many of the most globalised TNCs conduct more than 70 per cent of their business outside their home country.
- Some of the largest transnational corporations have annual revenue that is larger than the GDP of many countries. This can give them greater power and influence than these countries, and lead to exploitation of these countries and their people.
- Transnational corporations can bring many benefits to countries in which they operate, such as employment and new technology.
- Some TNCs have been found to be acting unethically by not paying enough tax in countries in which they operate, by paying low wages and by not providing safe and healthy working conditions.

2.7.2 Your turn

1. Over the last 20 years, many organisations opposed to the effects of globalisation and the increased power of TNCs have sprung up across the world. Supporters of these groups have held protests in various parts of the world, including in Australia in 2000, 2006, 2007 and 2011.

   In small groups, examine the arguments in favour of and against economic globalisation and the increasing power of transnational corporations. Use the arguments outlined in this topic and make use of online resources to provide statistics and evidence to support your arguments.
2. 'The growth of globalisation and the increasing power of transnational corporations has done more harm than good to the economies of Australia and many other countries.' Do you agree or disagree? Conduct a class debate on this issue.