

# Development and Globalisation

## Development

Development is a term that can be used in many different contexts whether it is social, economical, political etc. However generally development refers to an improvement in certain areas:

- **Economic**
  - An increase in the country's economy with a shift from secondary to tertiary industry which becomes less dependent on FDI.
- **Demographic**
  - An increase in population and a more ageing population as standard of living increases. Birth rates and death rates drop as life expectancy increases.
- **Social**
  - An increase in the range of services, increased land prices and a more multicultural society. Greater access to education, health care and communication
- **Political**
  - More democratic and more influence on the 'global stage'. Stable government, no dictatorship.

## Measuring Development

**GDP**- Gross Domestic Product – The total amount of goods produced by a country across the world

**GNP**- The total value of goods produced by one country in that country

**HDI**- Human Development Index – Measured using three statistics:

- Life Expectancy
- Literacy Rate
- Standard of Living (measured in GDP per capita)

## Development Continuum

Originally there were three groupings that made up the development continuum, they were:

- **FIRST WORLD** (those developed countries that had a democratic government and a strong economy)
- **SECOND WORLD** (communist countries)
- **THIRD WORLD** (UN developed countries)

However as time has gone on newer economies have started to develop caused by different development patterns and speeds.

Rank	Country
1	Norway
2	Australia
3	Netherlands
4	USA
5	New Zealand
6	Canada
7	Ireland
8	Liechtenstein
9	Germany
10	Sweden

Rank	Country
178	Guinea
179	Central African Republic
180	Sierra Leone
181	Burkina Faso
182	Liberia
183	Chad
184	Mozambique
185	Burundi
186	Niger
187	DRC



## The Development gap

There was a suggested North/South divide originating from the Brandt report in 1980, where the north accounted for 80% of GDP but only 20% of the population; however this too requires some artistic licence and is a very general way of dividing countries. There are more accurate ways of grouping countries as listed below and as countries move through the development continuum countries pass from one category to another:

- **DEVELOPED** (MDC's – the most well developed countries eg. **UK**)
- **DEVELOPING** (Countries which are undergoing development – arguably they all are. Eg. **Malaysia**)
- **LDC's** (Least Developed Countries – eg. **Ethiopia**)
- **NIC's** (Newly Industrialised Countries – Have just finished development (10 years or so) Eg. **China**)
- **RIC's** (Recently Industrialised Countries – Further behind than the NIC's eg. **Dubai**)
- **CENTRALLY PLANNED ECONOMIES** (The few remaining **communist** countries eg. **North Korea**)
- **OIL RICH COUNTRIES** (Countries rich in oil eg. **Saudi Arabia**)

## Globalisation

**GLOBALISATION:** The increased inter-connection in the world's economic, cultural and political systems.

<i>Positives</i>	<i>Negatives</i>
<ul style="list-style-type: none"> <li>• Allowed the movement of people more easily</li> <li>• Increased foreign trade</li> <li>• More access to food, services, healthcare etc. all over the world</li> </ul>	<ul style="list-style-type: none"> <li>• Uncontrolled migration</li> <li>• Inequality in wealth</li> <li>• Heavy environmental cost</li> <li>• Loss of countries individual cultures, global cutters</li> </ul>

- Globalisation began in the 19<sup>th</sup> century as there was the beginning of movement of people and goods;
- Increase in independence
- Increase in trade as well as the spread of industry
- Beginning of Trans National Corporations.

Globalisation continued in the 20<sup>th</sup> century and was shaped by a number of factors including:

1. Emergence of *free markets* (capitalist economy)
2. Deregulation of world financial markets
3. The establishment of the **General Agreements of Tariffs and Trade** (GATT) –the **WTO** which sought to lower trade barriers.
4. The emergence of trade blocs
5. The establishment of the **IMF** and the **World Bank**
6. Development of global marketing and the continuing rise of TNCs.

## Flows

- **Capital**
  - ICT allows cheap, reliable and almost instantaneous communication
  - Allows sharing information
  - Allows transfer of capital
  - Allows Marketing around the world
- **Labour**
  - Improved transport for people

- Size of air craft
- Low cost airlines
- High speed rail links
- Specialised workers- doctors, ICT etc.
- Unskilled workers
- **Products and services**
  - Integrated networks
  - Goods handling
  - Computing logistics
  - Container revolution
  - Improved transport for goods
  - Global marketing, the world as one market and create products that fit various regional market places e.g. coca-cola and McDonalds

### Patterns of production, distribution and consumption

Manufacturing has gone from developed countries to lower wage economies. This is known as the **GLOBAL SHIFT**, which is brought about by **FDI** by TNCs. Many LEDC'S have benefited from the **transfer of technology** which has meant these countries can raise their productivity without raising their wages to the level of the developed countries.

This has led to the **de-industrialisation** of richer countries and the focus on tertiary and quaternary industry.

There has also been outsourcing of service operations, such as call centres, Mumbai, this extends the influence on a global scale also the employment costs are a lot lower even though there is a highly educated workforce.

### Positive and negatives of the global shift

<p><b><u>Positives for MEDCs</u></b></p> <ul style="list-style-type: none"> <li>● Movement of polluting industries away from their country</li> <li>● Growth in LEDC's may lead to demand for exports from MEDCs</li> <li>● Cheaper imports can keep the cost of living down benefiting the retail sector</li> <li>● Labour market flexibility and efficiency</li> <li>● Development of new technologies leading to investment</li> <li>● Help to reduce inflation</li> </ul>	<p><b><u>Negatives for MEDCs</u></b></p> <ul style="list-style-type: none"> <li>● Could lead to wide spread unemployment</li> <li>● Loss of skills</li> <li>● Negative multiplier effect</li> <li>● Large gap between skilled and unskilled workers who may experience extreme redeployment differences</li> <li>● deindustrialisation of some areas, such as the North</li> </ul>
<p><b><u>Positives for LEDC's and NIC's</u></b></p> <ul style="list-style-type: none"> <li>● Development of new industries</li> <li>● Increased employment</li> <li>● Helps to reduce development gap</li> <li>● Increased FDI and investment which can lead to improved services such as infrastructure, health care and education</li> <li>● Increased exports helps BoPs, and increases income and GDP</li> <li>● New technologies</li> </ul>	<p><b><u>Negatives for LEDC's</u></b></p> <ul style="list-style-type: none"> <li>● Rapid urbanisation and rural-urban migration</li> <li>● Westernised approach to economy</li> <li>● Increased environmental damage due to polluting industries</li> <li>● Exploitation of labour</li> <li>● Disruptive social impacts</li> <li>● Over-dependant on one industry</li> <li>● Destabilises food supplies, less agriculture</li> <li>● Health and safety issues because of tax legislation</li> </ul>

## Patterns of production and processes

In manufacturing there has been a *global shift* of marketing from MDC's to LDC's. This leads to Foreign Direct Investment (FDI) by the TNC's. This has led to the *de-industrialization of MDC's* but means that they can also be more productive due to the transfer of technology.

### Newly Industrialised Countries (NIC's)

#### First Phase

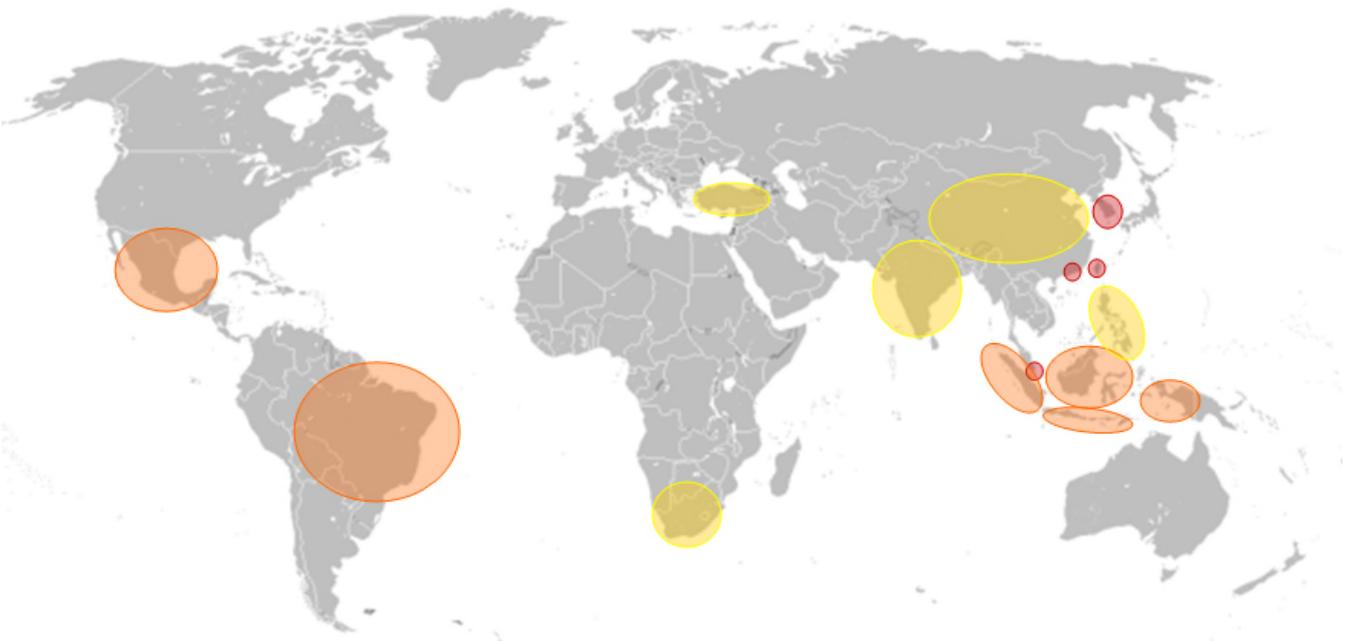
- Asian Tigers (**Taiwan, South Korea, Hong Kong and Singapore**) started to appear in the 1960's, as developed countries looked at their less developed neighbours
- Rapid industrialisation due to the increased spread of TNC's.
- They share similar characteristics which allowed for such industrialisation:
  - Large populations
  - Well educated populations
  - Culture – work ethic
  - Less rigid laws on health and safety
  - Government support through loans and grants
- Rely less on foreign support and set up their own businesses such as the **Chaebols** in **South Korea**, comprising of companies such as Samsung, LG and Hyundai
- This has now become a multinational and located in several different countries.

#### Second Phase

- As wage prices increased in the primary TNC's (The Asian Tigers)
- Countries that could offer lower wage prices such as Malaysia, Indonesia, The Philippines and Thailand, Mexico and Brazil

#### Third Phase

- China and India, Turkey, South Africa and the Philippines
- China has seen the fastest rate of economic growth of any country
- India's industry is heavily based around services – which accounted for 50% of its total GDP.
- New TNCs are now being set up in Indian such as Infosys, Bangalore.



Positives of India	Constraints of India
<ul style="list-style-type: none"> <li>• Large English speaking population</li> <li>• Costs 37% lower than China</li> <li>• Costs 17% lower than Malaysia</li> <li>• Professional salaries ¼ of UK and USA</li> <li>• Low telecommunication costs</li> <li>• 24 hour working to fit with time differences</li> <li>• Huge labor force for labor intensive jobs e.g. call centers</li> <li>• IT college graduates, 2 million/year</li> </ul>	<ul style="list-style-type: none"> <li>• Other countries are beginning to compete</li> <li>• Negative reaction in MEDCs</li> <li>• Rising wage rates</li> <li>• High cost of training</li> <li>• Negative impacts on quality</li> <li>• Corruption and bankruptcy</li> <li>• Command economy, government spending on subsidies rather than investment</li> <li>• Infrastructure beyond major cities is poor</li> <li>• Literacy only 61%</li> </ul>

## Growth in the 21<sup>st</sup> Century

Emerging Economies account for 70% of the global population, countries including the **BRICs** (Brazil, Russia India and China) as well as countries such as the UAE and South Africa. The increase has been due to:

- Raise living standards
- Increase opportunities for the population
- Increase FDI
- Become more of a world player with market to an international standard

## Countries at very low levels of economic development LDCs

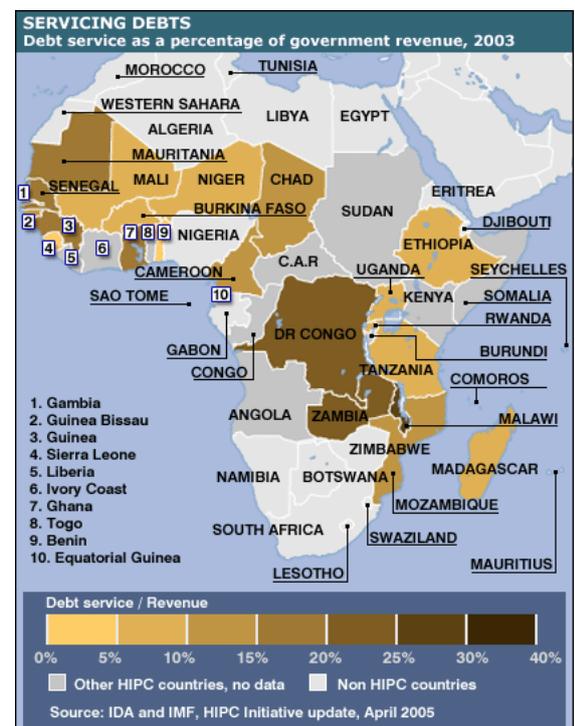
- The countries were outlined by the United Nations and of the top 50 33 are in Sub-Saharan Africa. They are defined by the following:
  - Low incomes (\$800 GDP per capita over 3 years)
  - Human resource weakness, nutrition, health, education and literacy
  - Economic vulnerability shown by signs of dependency on one industry
- Many of them suffer from widespread conflict, disease, geographical disadvantages, urbanisation and fast urban growth (demographically speaking).

## Quality of Life

- Most of the population cannot afford basic immunities
- Resources of such countries are not evenly distributed.
- Attempts to reduce poverty
- High population growth rate means that numbers living in extreme poverty are increasing.
- Many of these countries depend on FDI

## Debt

- From the 1970's onwards some countries found themselves in a debt crisis because the borrowed large amounts from the developed world.
- For many countries at low levels of economic development that breaking free of poverty can only ever be a vision.



- There are certain policies being put in place by the **IMF** and the **World Bank** to help free the **HIPCs**
- They have provided debt relief and interest free loans.
- **SAPs** Structural adjustment programmes
  - Government spending cutbacks to fund debt repayments
  - Mexico was the first country
  - 3 main aims:-
    - PROMOTE EXPORTS- INTEGRATION AND LIBERALISATION
    - REDUCE GOVERNMENT SPENDING- PRIVATISATION AND CUTTING COSTS
    - ENCOURAGE FOREIGN INVESTMENT
  - Both intermediate and poor countries have had SAPs applied
  - Some success but SAPs could make matters worse especially for the poorest people because:-
    - Loss of credit and subsidies from the government
    - Food production falling
    - Devaluation of currency leads to dramatic rises in prices
    - Less spending on health and education by government
- Another scheme, the **Multilateral Debt Relief Initiative (MDRI)**
- Aimed to cancel the debt of the HIPCs
- per capita income US\$380 a year or less would be eligible for MDRI debt relief from the IMF's resources

## Social Problems

- Lack of income, healthcare, education, sanitation etc.
- The **Millennium Development Goals** were set up specifically to help countries out of the cycle of poverty however they don't look well to be completed in 2015 (the original target).



## Global, Social and Economic Groupings

Made for a variety of reasons:

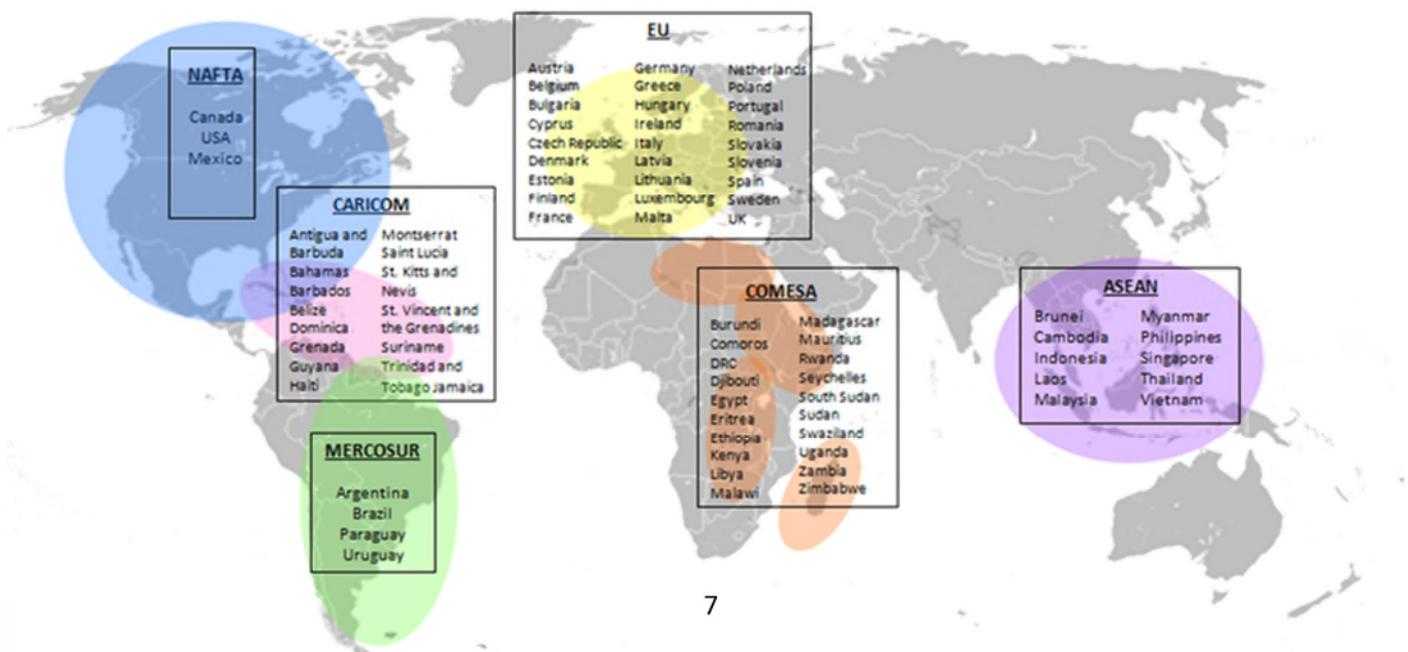
- To further socio-economic development
- To increase alliances and trade
- To allow free movement
- To prevent war

Types of groupings include:-

- **Free trade areas-** tariffs and quotas are reduced on goods between members and restrictions are put in place for goods coming in to the area e.g. NAFTA
- **Customs unions-** tariff on imports from outside the group e.g. Mercosur
- **Common Markets-** like customs unions but with greater freedom of movement of labour and capital, e.g. previously EU, current example East African Common Market
- **Economic Unions-** all of the above as well as member states are also required to adopt common policies in areas such as agriculture (CAP) fisheries, transport, pollution (Kyoto agreement), industry, energy and regional development e.g. EU

### Positives and negatives of trade blocs

Positives	Negatives
<ul style="list-style-type: none"> <li>• Greater chance of peace between member nations.</li> <li>• Faster and smoother economic development</li> <li>• Trade barriers removed</li> <li>• Higher standard of living.</li> <li>• Certain areas of a national economy can be supported – eg. Agriculture through the CAP.</li> <li>• People seeking work can move between member states– EU.</li> <li>• Possibility of a common currency- Euro</li> <li>• Greater political influence</li> <li>• If countries become indebted member states can help bail out, Greece, Ireland.</li> </ul>	<ul style="list-style-type: none"> <li>• Having to share economic resources</li> <li>• Many countries will have to pay a large sum of money regularly to be in a trade bloc</li> <li>• Elites can hold a disproportionate amount of power.</li> <li>• If one country falls in to economic crisis the rest of the member states are effected</li> <li>• Non-member states badly affected, lack of trade</li> <li>• Loss of sovereignty</li> <li>• Loss of some financial controls e.g. European central bank</li> </ul>



## Aspects of globalisation

### TNCs

Transnational Corporations are companies that operate in over two countries – usually having their research and headquarters in the country of origin and locating the manufacturing plants overseas. As an organisation becomes more global, regional R&D and headquarters will develop.

TNCs can be split in to three different groups according to what industry they are:-

- **Resource extraction**
  - Mining, gas extraction and oil producing
  - ExxonMobil, Royal Dutch Shell and BP
- **Manufacturing**
  - **High-tech**
    - Computers, microelectronics, pharmaceuticals
    - Hewlett Packard, GlaxoSmithKline and AstraZeneca
  - **Consumer goods**
    - Motor vehicles, televisions and other electrical goods
    - Many of these are assembly industries
    - Ford, General Motors, BMW, Sony
  - **Mass produced consumer goods**
    - Cigarettes, drinks, breakfast cereals, cosmetics and toiletries
    - Coca-Cola, Kelloggs, Unilever, Heinz
- **Service operations**
  - Banking/insurance, advertising, freight transport, hotel chains, fast food outlets, retailers
  - Barclays, AXA, McDonalds and Tesco

### Growth of TNCs

Why do TNCs expand to different countries?

- Larger populations with cheaper Labour Costs
- Better government policies such as grants, lower taxes and subsidies
- Less stringent rules on employment and pollution
- Fewer restrictions due to trade barriers
- Greater supply of raw materials
- To take advantage of trade within trade blocs
- Allowing them to grow thereby achieving economies of scale, reducing costs, finance new investment and compete in global markets
- Allow them to set up in markets that they want to sell in
- To acquire geographical flexibility so that they can shift resources and production between locations to maximise profits

To serve a global market, TNCs may globalise production by:-

- Produce for the market in which the plant is situated
- Use one plant to produce for a number of countries
- Use integrated production
- Source parts in places where they assemble their products close to the market, **GLOCALISATION**

## Impacts of TNCs on a host country

<b>Positive Impacts</b>	<b>Negative Impacts</b>
<ul style="list-style-type: none"> <li>• <b>Employment</b></li> <li>• <b>Injection of capital into the economy</b> <ul style="list-style-type: none"> <li>○ More disposable income will create a demand for more housing, transport and local services</li> </ul> </li> <li>• <b>Multiplier Effect</b> <ul style="list-style-type: none"> <li>○ Investment by a TNC can trigger more employment by cumulative causation bringing greater wealth to the area</li> </ul> </li> <li>• <b>New working methods</b> <ul style="list-style-type: none"> <li>○ Transfer of technology will create a more skilled workforce.</li> <li>○ JIT developed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Competition</b> <ul style="list-style-type: none"> <li>○ Adverse effects on local companies which might not be as efficient</li> </ul> </li> <li>• <b>Environmental concerns</b> <ul style="list-style-type: none"> <li>○ Less stringent pollution laws so more pollution allowed</li> </ul> </li> <li>• <b>Labour exploitation</b> <ul style="list-style-type: none"> <li>○ Exploit cheap, flexible, non-unionised labour forces in developing countries</li> <li>○ Minimum wage</li> </ul> </li> <li>• <b>Urbanisation</b> <ul style="list-style-type: none"> <li>○ Factories built in major urban centres leads to younger workers migration to the area</li> <li>○ Negative effects on the rural areas</li> </ul> </li> <li>• <b>Removal of capital</b> <ul style="list-style-type: none"> <li>○ Profit back to country of origin</li> </ul> </li> <li>• <b>Outside decision making</b> <ul style="list-style-type: none"> <li>○ Plans effecting the development of plants are made in host country to boost profitability</li> <li>○ Little consideration for local people</li> </ul> </li> <li>• <b>Dependency on TNC</b></li> <li>• <b>More westernised approach to life</b></li> </ul>

## Development Issues within the world

### Trade vs Aid

Trade is deemed as the more sustainable path out of the two to economic development as it helps to promote the growth in the volume and value of goods, leading to jobs and greater incomes, some of this income will help to generate domestic demand leading to investment and the multiplier effect. This will also lead to rising living standards and gaining of skills by local people However it relies on three factors:

- Adoption of capitalism
- Economic growth to 'trickle don' so everyone benefits
- Promotion of free trade

This is a similar path that was taken by the MDC's and more recently the NIC's. However many of these NIC's had largely stable governments, a well educated workforce and they employed protectionist policies to stimulate growth e.g. tariffs and import quotas.

However there are still problems with trade for a variety of reasons:

- They cannot be competitive in world markets as they need to invest in equipment, technology and training to make business productive and then infrastructure etc.
- Schemes like the CAP undercut mainly agriculturally based LDCs
- Wealth does not always trickle down to those who need it, like aid.
- Debts mean they would have to make millions before they made profit and due to the cuts imposed by the World Bank and IMF it often means there are public spending cuts especially on health care and education

Aid can be either:

1. **BILATERAL** – from government to government.
2. **MULTILATERAL** – Where collective governments donate to an organisation (such as the World bank) who the distributes it to suffering countries.
3. **VOLUNTARY** – Where small NGOs send workers to help. NGOs such as Oxfam

Aid is not always in the form of money sometimes it is in the form of goods or technical assistance. There are also several ways aid can be delivered

- **Tied aid**
  - Will limit the power of nations and may eventually cause resentment
- **Short-term aid**
  - Usually following an emergency such as earthquakes or tsunamis
  - This can be help with rescue operations
  - Medical supplies, shelter, food and water
- **Long-term development projects**
  - Improving food availability and farming methods
  - Helping to provide improved shelter
  - Health care and education
  - Developing better livelihoods and improving income
  - **CAFOD**, Catholic Agency For Overseas Development
- **Top down aid**
  - Throwing' money at a country and allowing them to get on with it.
  - It usually focuses on large scale, expensive projects which are unsuitable for the local community., such as HEP projects e.g. Nepal
  - It often doesn't go to the people who need it most
  - Usually tied
- **Bottom up**
  - More helpful to the local community however still bring their problems.
  - Small scale
  - Treat the individuals as individuals with creativity and intelligence
  - They work with people to create what the community most needs and supply the materials
  - They can undercut local business.

However aid is not perfect and may critics say:-

- Aid does not reach those who need it the most, it is kept at the top by the government
- Aid is often used ineffectively on large scale, expensive projects which are often left uncompleted
- Sometimes countries don't even have the correct infrastructure to use the aid effectively
- Dependency can be created which is often not sustainable is aid is a large proportion of national income
- Tied aid comes with strings attached, in some cases with every dollar given in aid \$7 is given in return

## Economic vs. Environmental Sustainability

**'Development that meets the needs of today without compromising the needs of tomorrow'**

This would be achieved by

- Human potential being improved
- The environment is used and managed to supply people on a long-term basis
- Implies social justice as well as long term environmental sustainability
- The capacity of the environment to provide resources and absorb increasing levels of pollution is the critical threshold controlling how far population can increase and economies expand sustainably

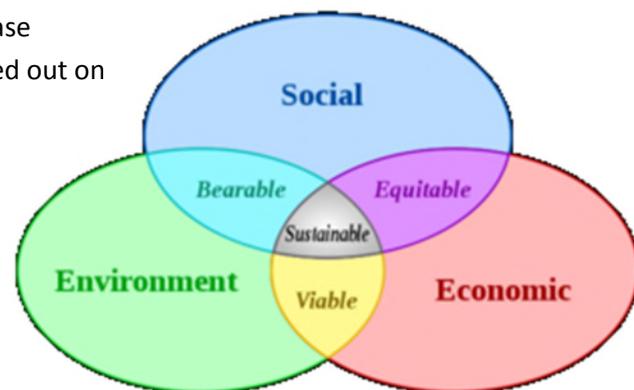
The Rio Earth summit set out the following points for each aspect of sustainability.

### Environmental Principles:

- People should be at the centre of concerns
- States have the right to exploit their own environment but should not damage that of others
- Protecting the environment is integral to development
- People should be informed of projections for the future as well as the current environmental situation
- There should be environmental legislation and standards within states
- Laws should be enacted regarding liability for pollution
- The movement of substances that are harmful to others should be restricted
- States should warn neighbours of any environmental unease
- EIAs (Environmental Impact Assessments) should be carried out on all major plans

### Economic Principles:

- The right to development must be fulfilled so as to meet development and environmental needs of present and future generations
- States should work together to eradicate poverty in order to decrease disparities in living standards
- The needs of the poorest countries should be put first
- Unsustainable production and consumption patterns should be eliminated
- States should cooperate to restore the earth's ecosystem
- Scientific information and innovative technologies should be transferred to improve understanding
- States should support an open economic system, with few trade barriers and tariffs
- National authorities should endeavour to promote the internationalism of environmental costs, taking into account that the polluter should pay



For anything to be effective it must strike the right balance between the three core principles – economic, social and environmental.

## Sustainable tourism myth or reality?

As tourism is an increasingly expanding, billion dollar industry, it has increasingly been looked at to become more sustainable. Up until now it has followed this pattern:

- The environment attracts tourists for its attractions
- The money spent should help to maintain these features

However as tourist flows increase it starts to do more harm than good, particularly to small areas which can't deal with the massive influx, this can lead to the destruction of farm land to golf courses, and destroying natural habitats such as coral reefs, destroyed by water sports ,e.g. Philippines .

Sustainable tourism '*seeks not to destroy what it sets out to explore*' It attempts to make sure that:

- It preserves natural resources for future generations.
- The local communities and their culture are recognised as the most important in the tourist sector
- Economic benefits of tourism must partly go to those who are local to the area
- Everything is guided by the wishes of local people and communities

At the Rio Earth Summit an environmental checklist was drawn up to show how the tourism industry could become more sustainable, these included:

- Waste minimisation, land use, re-use and recycling
- Energy efficiency, conservation and management
- Transport
- Water (freshwater and waste)
- Land use planning and management
- Involvement of all stakeholders in the planning
- Involvement of staff, customers and communities in environmental issues

Sustainable tourism is an industry committed to making a low impact on the natural environment and local culture, while helping to generate income and employment for local people. Tourist can help by:

- Being informed of the local culture, politics and economy
- Respecting local cultures
- Contributing to local cultures and tolerance
- Supporting local businesses and traditional values
- Use the least amount of local resources

## Ecotourism

- Is one of the fastest growing sectors within tourism
- An economic process by which rare and beautiful ecosystems and cultural attractions are marketed internationally to attract tourists
- Planning and management is an important factor
  - Capacity is managed
  - Encourages conservation, by educating local people and tourists
  - Focuses on the environment
- Criticised for being 'egotourism' in some cases. Sustainable ecotourism must :
  - Have a limit to the number of visitors to sustain the environment
  - Set up and run in cooperation with local people

## Case Studies

### Measuring Development- HDI

HDI = 1/3 (life expectancy index) + 1/3 (education index)+ 1/3 (GDP index)

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Political competitiveness</li> <li>• More factors and reliable ones</li> <li>• Easy and cheap to collect data</li> <li>• Sign of welfare in the future, improving health and education, supply-side policies which can indicate the long-term patterns of AS curve</li> <li>• The success of government policy</li> <li>• Easily comparable to other countries</li> </ul>	<ul style="list-style-type: none"> <li>• Does not take into account poverty</li> <li>• PPP values change very quickly, inaccurate or misleading.</li> <li>• Little sense of income distribution</li> <li>• Quality of life does not seem to be that closely linked</li> <li>• Doesn't take account like war or political oppression.</li> <li>• Based on normative economics.</li> <li>• Other measures such as access to internet might be more important.</li> <li>• Changes over time - ceteris paribus</li> </ul>

### Comparing 2 countries, Nepal and the UK

Measure	UK	Nepal
HDI	28/187	157/187
Life expectancy	80.2	68.8
Expected years of schooling	16.1	8.8
GNI per capita, PPP adjusted	33,296	1,160
Pop. Living on \$1.25 per day %	0	78.1
Population with at least secondary education , female : male	1.015	0.448
Sustainability, Change in forest area (%)	9.8	-24.5
% of population living in urban areas	79.8	19.2

### Sub Saharan Africa – A country at low levels of economic development

- Sub Saharan Africa contains many countries with the lowest HDI ranking in the world.
- Many hold backs from development including war, disease, famine, debt, lack of infrastructure etc.
- They need large amounts of FDI that will not leave them in a worse situation than when they started.
- HDI, lowest ranked are Mali, Sierra Leone and Niger (all with an average of 0.33)
- The top, ranked 119<sup>th</sup> and 120<sup>th</sup> in the world were Gabon and South Africa.

### TNC-Barbie in Taiwan -global shift of manufacturing

- Barbie, an American company Mattel , was produced a Japan in 1959
- Has seen a global shift in manufacturing since it started.
- They moved to Taiwan in the 1960's to take advantage of cheap labour costs and increased scale of production.
- At its peak Taiwan alone made more than 50% of all Barbie dolls in the world.

- Within 20 years Taiwan's incomes began to rise which then led to Barbie moving somewhere else
- Mattel opened its first factory in China in 1987, wage prices were much lower and gradually production was moved there.
- Today Mattel produces Barbie's in China, Indonesia and Malaysia – taking advantage of the second stage of NICs, the Tiger Cubs.

Taiwan has further benefited from globalisation, as it is now home to companies that manufacture most computers and MP3 players such as **BenQ**

### TNC-Coca Cola – Global Marketing

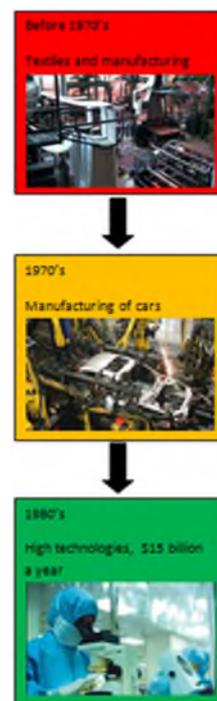
- A company with a single product in which minor elements are tweaked for a different market.
- The company uses the same formulas, one with sugar and one with Corn Syrup for different markets.
- The bottle design is the same and is regulated depending on different countries standards.
- The only countries in the world that do not sell Coca Cola are **Iceland, North Korea, and Antarctica**.
- It is not sold in Iceland because all bottles must be the same shape as there is a large recycling project and coca cola refuse to change the shape of their bottle as it is part of their brand

### Asian Tiger- South Korea

- 13<sup>th</sup> largest economy
- Strong government
- Highly skilled and motivated workforce
- Large amounts of trade with a positive BoP

### Problems

- Move to democracy takes time
- Large aging population
- Unequal pay for women and poor working conditions for 52 hours a week
- Pollution with poor construction in infrastructure, roads and sewage



### BRIC economies

It is said that these countries will be dominant by 2050, these brick economies, don't just rely on export industries like the 1<sup>st</sup> generation NIC's.

### Brazil emerging economy

- President Lula, who began in 2003 took the economy out of debt and is now a stable country
- Generates \$1.5 trillion GDP/year
- Reliable power, with sustainable sources, such as hydro electric power, sugar cane, bio fuels, sustainable in own Tupi oil fields
- FDI is the 4<sup>th</sup> largest in the world, \$45 billion each year
- Very easy to communicate with
- Emerging middle class
- Good highly skilled work force



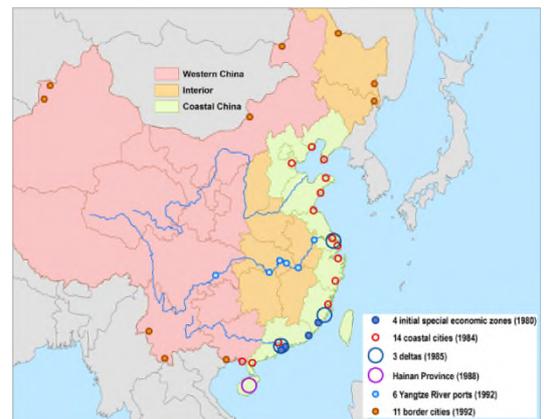
However there are some areas where Brazil will need to improve if its development is to continue being sustainable:-

- Will become a increasingly aging population
- Destruction of the rainforest
- Increasing cost of manufacturing
- Poor infrastructure
- Unequal society
- Slow national growth
- Increased crime and corruption
- 25% of the population live in poverty, favelas, Sao Paulo



### China – Third Stage of NIC Development

- In 1978 China began to follow the path of development of the Asian Tigers through an **export driven road to development**.
- Communist control was relaxed to allow this to do so.
- Foreign investment and joint ventures was encouraged.
- The internationalisation of the Chinese economy is also called the **GUANXI NETWORK** referring to the connections that exist between Chinese people and companies scattered all around the world
- In order to attract foreign industry in SE China, 14 ‘open’ coastal cities and 5 Special Economic Zones were set up.
- They allow tax grants which would give more profit and were in favourable locations, geographically, to work.
- Labour was 80% cheaper in these areas
- There was a large amount of FDI for the bulk of the 21<sup>st</sup> Century
- Receiving up to \$50 million per year.
- In 2006 they received \$63 billion, their highest recorded figure.
- Sustained growth of up to 10% – one of the highest in the world.
- China became part of the WTO meaning that trade went from just over \$250 billion to just under \$1 trillion, **almost quadrupling as they got greater access to global markets**.



### PROBLEMS:

- Dramatic gap between rich and poor
- Huge rural/urban migration has left thousands in the countryside isolated as well as a decrease in agriculture meaning that poverty and famine has spread.
- Deterioration of environment and use of natural resources
- Dependent on the economy of the buyer
- Putting other populations before their own
- Development of two Chinas, east and west

**Chongqing** –largest urban industrial city in the south-western part of china, 32 million people

- A major focus on migration and of the western development policy
- South of the Gorges Dam
- Population grows by 500,000 people a year
- Chicago of china
- Heavy industry dominates
- Large pollution problems, air sewage
- 2000 tonnes of waste a day



**India** – NIC driven by services

Many people think that the Indian service sector is driven by call centres; however its involvement in the service sector it accounts for 50% of GDP as there is a high population of skilled workers. Software and IT companies have been attracted to India because:-

- **Second-largest English speaking human resource in the world**
- **Investment friendly and supportive government politics**
- **Good infrastructure for power, transport and data communication**
- **World's third largest brain bank**
- **Stable democratic with over 50 year of independence**
- **Large market size**
- **Investment and tax incentives for exports in certain sectors such as electronics, telecom, software and R&D**



The UK and USA has fuelled the service sector in India as Indians migrated to gain skills which they would take back to their home country. Such skills were used to set up companies like **INFOSYS** which is now a TNC based in **BANGALORE**.

Bangalore has become the centre of ICT because:-

- First state to set up engineering collages
- First t set up a technology university
- Grants and tax incentives for the IT industry
- 1991 software technology park was built
- Now over 6 technology parks

Infosys one of the largest software companies in India

- Founded in 1981 and had first foreign clients by 1987
- Overseas offices in Boston and in MK
- 455 of workforce based in Bangalore

**Infosys**®



## Growth in the 21st century Dubai – An RIC

- Dubai is located in the United Arab Emirates
- Globally central as it is half way between London and Singapore
- Fastest growing economy
- Its economy boomed upon the discovery of oil in the 1960's.
- There was a growth of 300% between 1968 and 1975.
- There was rapid immigration.
- To make itself less dependent on oil, Dubai invested in new infrastructure which attracted FDI and now Dubai's economy is heavily based around tourism as well as banking
- Oil and Gas currently occupy less than 5%.
- Borrowed money to fund many projects
- One of the country's most effected by 2008 market crash, massive inflation problems
- Chinese and Indian banks brought a lot of Dubai's debts



### SOCIAL PROBLEMS

- Vast numbers of immigrants
- Poor working conditions, 20 hour day in some cases, because people took out loans to get to Dubai, and now due to little work they have to work all hours to get as much money as they can
- Live in poor conditions in tent cities out of the actual city
- Passports are taken by employers on arrival



### ENVIRONMENTAL PROBLEMS

- High electricity cost and rising carbon emissions
- Sewage because there is not enough water, as the city is in a desert, water is more expensive than oil
- Nuclear waste
- Abu Dhabi, must look to help out by providing solar energy

## Countries facing low levels of economic development

### Nepal–

- One of the poorest countries in the world – 157/177 in HDI
- Its GDP per capita is also one of the lowest at \$1,049
- Shortage of energy, supplies
- Little money to spend on development
- Due to relief little transport infrastructure, remote communities
- Mainly subsistence farming and tourism
- 78.1% of the population live on less than \$1.25 a day
- Little education and health care provisions

## HIPC- Tanzania

- 40% of the population live below the poverty line
- HDI is ranked 152
- Life expectancy is 58.2
- Annual GDP per capita is \$800
- 75% of employment is based on agriculture
- Literacy rate is 64%



## Reasons for poverty

- **TOPOGRAPHY AND CLIMATIC CONDITIONS** - limit cultivated crops to only 4% of the land area
- **INDUSTRY**- mainly limited to agricultural products and light consumer goods
- Dependant on **AGRICULTURE** which accounts for half of GDP
- Products include coffee, cotton, tea, tobacco, cashews and sisal which are highly competitive and have falling prices
- **TOURISM** is booming especially in the National Parks

## Attempts to help

- Government: a national poverty eradicated strategy- to reduce abject poverty 50% by 2010
- The World Bank, IMF and bilateral donors have provided funds to rehabilitate Tanzania's deteriorated economic infrastructure
- Structural Adjustment Policies, SAP's, poverty reduction strategy papers
- "Vision 2025" programme set the goals of a high quality of livelihood by year 2025; peace, stability and unity; a well educated society and a competitive economy based on sustainable growth and equity
- UN MDGs

## The results of attempts to help Tanzania

- Not improved quality of life
- Income and welfare indicators fell
- Even more dependent on foreign aid
- Increased environmental damage
- Pick up in industrial practice including gold and natural gas
- Increase private sector growth



## Recent debt relief in Tanzania

- One of the poorest countries in Africa even though it had some of its international debt written off
- \$3 billion will be discounted over the next 20 years
- Tanzania's total international borrowings of more than \$7 billion

## Socio-Economic Groupings

### NAFTA

- USA, Canada, Mexico
- Set up in 1994
- Aims – To eliminate trade tariffs between the three countries, pushed by the establishment of other socio-economic groupings like the EU. Mexico saw it as the best option as it had built up debt in previous years.

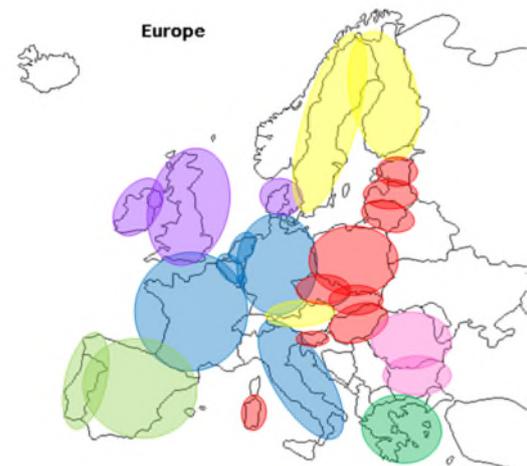
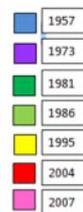
Pros	Cons
<ul style="list-style-type: none"> <li>• Trade between member countries tripled in the first 13 years.</li> <li>• Increased employment in the USA as manufacturing grew</li> <li>• Mexico got increased FDI as other countries wanted to locate inside NAFTA.</li> </ul>	<ul style="list-style-type: none"> <li>• Canada has been affected by the US increase</li> <li>• Some US jobs have been lost as the plants have moved to Mexico</li> <li>• Dumping in Mexico</li> <li>• Mexico is being exploited because of less rigid pollution laws which affects surrounding countries</li> </ul>

### EU

27 member states, set up in 1957 as the European Economic Community

Aims –

- Promote social and economic progress amongst member states
- Have more government influence
- Introduce EU citizenship
- Prevent war
- Create better laws



Positive impacts	Negative impacts
<ul style="list-style-type: none"> <li>• Group activity on waste, pollution control and climate change</li> <li>• Common currency</li> <li>• Large labour market due to ease of movement</li> <li>• CAP support</li> <li>• Peace in EU</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of sovereignty over some decisions</li> <li>• Greece and Spain situation</li> <li>• Sharing fishing grounds</li> <li>• Power of elite</li> <li>• Small areas fell isolated</li> </ul>

### Unilever– TNC

- Set up in 1890 by William Heskler Lever, who owned a soap company which revolutionised Victorian hygiene
- Unilever was formed by the merger of the Dutch margarine producer ‘Margarine Unie’ as they had the common raw material palm oil
- In 1937 Lipton tea was acquired and in 1957 birds eye joined



- Colworth House facility near Sharnbrook continued research efforts in food preservation, animal nutrition and health problems associated with toothpaste, shampoo and other personal products. It is one of several R & D centres
- In 2008, the companies had over 300 manufacturing sites in more than 100 countries across every continent
- Unilever employs over 170,000 people and has annual company revenue of over \$50 billion in 2007.
- Unilever has had problems with animal testing, child labour and deforestation due to the use of palm oil

### CAFOD- long term and short term aid

Aims are to promote long-term development; respond to emergencies; raise public awareness of the causes of poverty; speak out on behalf of poor communities; and promote social justice

#### Long-term aid

- Improving food availability and farming methods
- Helping to provide improved shelter
- Health care and education
- Developing better livelihoods and improving income



#### Short-term aid

- Provide aid to disaster stricken countries
- Set up temporary shelters for those left homeless

Democratic Republic of Congo (Kinshasa & Goma), Ethiopia, Kenya

#### Swaziland – top Down Aid

- Top down development is usually difficult as often hundreds of thousands of people's needs need to be 'catered for' and it is difficult to satisfy everyone.
- The ideal goal is a communist state with a 'one size fits all' approach.
- Swaziland is in Southern Africa.
- It is ranked very low in the world for human development.
- Many individual concerns to deal with which weakened the country, AID's, famine and drought.
- The number of orphans was increasing as the death rate did correspondingly.
- Several branches of the United Nations which were trying to help them such as the UN food programme, and a many NGO's.
- They were distributing imported food to hundreds of thousands of people which was ultimately a good thing.
- However, the farmers of the local area were not able to sell the produce that they grew
- Therefore not able to take advantage of the wet season that blessed them.
- There was also a state of dependency
- Difficult to draw the line between those who should receive aid and those who did not.



Other top down aid include large scale projects such as building dams and HEP stations like those proposed in Nepal, this can lead to the loss of valuable farm land and can limit the water downstream, leading to widespread droughts.

**Nepal, FoST** – Bottom Up Aid

- Foundation of sustainable technologies
- Treats people as individuals with ideas and creativity.
- Due to the lack of energy in Nepal and the reliance on wood, leading to deforestation and health problems in the home due to the amounts of smoke
- Subsidies the purchase of products including solar cookers and no-smoke indoor cookers
- Educates people on how to make briquettes, which produce no smoke from waste, to prevent deforestation
  
- However there are limited resources to make the solar cookers and therefore they are limited and rely on donations
- Not every community has the money to buy the equipment or has access to finding out about products
- Not sustainable in the long run if the donations stop



Overall top down and bottom up development are both ways of narrowing the development gap, the gap between rich and poor countries. Both, like anything in life have pros and cons however the possible way forward is through micro-credit loans which give people the credit and respect that they deserve. This creates a successful and sustainable way of life and helps to lift individuals out of poverty.

**Economic vs. Environmental Sustainability**

**Holes bay**

Economic	Environmental
<ul style="list-style-type: none"> <li>• High unemployment especially in Hamworthy gate</li> <li>• 30 Ha of unused land, power station site</li> <li>• Poor access to Poole town centre</li> </ul>	<ul style="list-style-type: none"> <li>• Ramsar and SSSI sites rare birds and invertebrates</li> <li>• 2<sup>nd</sup> largest natural harbor in the world</li> </ul>

**The construction of the twin sails bridge**

**Environment:-**

- direct flow around the support pillars of the bridge causing deposition behind the pillars,
- May affect the tidal flats within holes bay, and Poole harbour
- Sediment becoming trapped within Holes bay building up the marshes
- Tidal salt marshes, to the build up of humus causing the build up of peat rising the level of the and creating fresh water marshes within Holes bay
- Poole harbours marshes could decrease in size

- Destroying many habitats for bird's invertebrates and plants alike.

### Economic:-

- Greatly over budget with its total cost coming in at over £37m
- Engineers spotted a large crack in the surface of the bridge making it unsuitable for use
- The development of the power station site will also cause an increase drain on local resources such as schools and the area might not be able to cope,
- Increase the flow of traffic over the bridges.
- Not enough jobs generated in the area
- Increased population density and increased unemployment.
- Increased crime

### Brazil- Curitiba

- 2 million people in the population
- city wide service to recycle products
- Recycling and garbage system prevent waste issues, organic and nonorganic, with two different trucks for different types of rubbish
- The rubbish is sorted and distributed and reused this means that 2/3 of rubbish is recycled
- It also creates more jobs to help reduce unemployment
- **Jaime Lerner**, was an architect and later became mayor and designed the current layout of Curitiba
- The city has changed from being an agricultural area to a **more industrial city**
- Flood problems have also been solved by building the parks on the flood plains and making artificial river banks around them this also prevents squatting and slums appearing in the parks
- Is home to many multinational industries, such as Nissan, Renault, Volkswagen, Audi, Volvo, HSBC, Siemens, ExxonMobil, Electrolux and Kraft Foods
- The per capita income for the city is \$ 17,977

## Sustainable tourism

### Nepal

- + Providing jobs for local people
- + Possible multiplier effects as well as helping to fund future development
- + these allow tourists to experience life in Nepal as well as witnessing the wildlife
- concentrated in certain areas such as Khumbu, Chitwan National Park, Annapurna National Park and the Sagarmartha National Park,
- The number of tourists increasing from 526,705 in 2007 to 710,547 in 2011,
- Actions must be taken in order to preserve Nepal.
- Problems with air pollution from the transport of tourists and fires getting trapped in the valleys due to the high mountains
- Increased demand for water and food supplies, taking away goods from the locals
- The same tracks are used by all of the tourists, erosion and destabilises the soil
- Increased the risk of landslides.
- Some tourists are also not respectful of people's culture and the wildlife
- Poor sewage disposal

