

The Expansion of Economic Globalization

Chapter

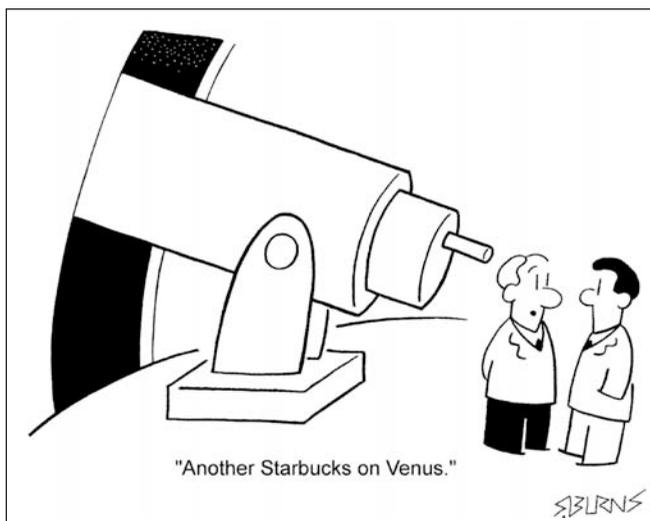
11

Gross Domestic Product

GDP is the total value of goods and services produced in a country in a calendar year.

Figure 11-1

What do you think cartoonist Shannon Burns is saying about one transnational corporation and economic globalization? What in the cartoon tells you this?



www.CartoonStock.com

Chapter Focus

To what extent does globalization contribute to sustainable prosperity for all people? Think about some ways that the expansion of economic globalization has affected people's lives, for example,

- *water*: Today, the bottled water industry, which virtually did not exist 10 years ago, is worth US\$100 billion a year. So who should have control over safe drinking water—the industry, or government?
- *transnationals*: The sales of large transnational corporations (TNCs) exceed the **gross domestic product (GDP)** of some countries. What does this say about the power of TNCs in the global economy?
- *genetically modified food*: The agribusiness industry is able to produce food with altered DNA codes. This means that produce such as tomatoes has a longer shelf life. But what are the implications of eating modified food products?
- *technology*: Advances in transportation technology allow people and goods to be quickly transported almost anywhere in the world. On the other hand, what does the resulting increased fuel consumption mean for the environment?

What do your responses tell you about the impact of economic globalization on your life?

Chapter Issue

In this chapter, you will look at factors that contribute to the ongoing expansion of economic globalization: international organizations and agreements, TNCs, and technologies. This exploration will help you to consider the Chapter Issue: *To what extent has the expansion of economic globalization affected people's lives?*



Investigate the Past to Understand the Present

To what extent has the expansion of economic globalization affected people's lives? To help you come up with a meaningful answer to this issue, you will continue to develop the skill of thinking like a historian that you first worked on in Chapter 3—in this case, by investigating the past to understand the present. Learning this skill will help you to develop, express, and defend an informed opinion about an issue, including the issue for this chapter.

Historians investigate the past to find answers to questions such as these:

- What happened?
- Where did it happen?
- Why did it happen?
- Who was involved, and what parts did they play in the event?
- What were the results of the events over time?

Once they have clear answers to these questions, historians try to draw conclusions about the event. They present these conclusions as articles in academic journals so that their colleagues can learn about their findings.

Suppose you are a historian who is examining the history of one of the top transnational corporations in the world today. Follow the steps in this Skill Path to conduct your investigation.

Step Consider Various Points of View and Perspectives

1

Historians ensure that they explore different points of view and perspectives when they study the events and issues of the past.

This means that when you are thinking like a historian, you need to examine an event from at least two different points of view or perspectives.

Step Practise Historical Justice

2

When conducting investigations, historians try to be fair to all people, regardless of gender, race, class, or other characteristics.

When you examine the history of a top TNC, ensure that you remain objective as you consider the actions of the corporation and of various individuals within it.

Step Refrain from Historical Hindsight

3

Historians try to avoid imposing modern values and judgments on events of the past. When you conduct your investigation of a TNC,

try to let your findings speak for themselves.

Job Link

Investigating the past to understand the present is an essential skill in many professions. For example, an economist examines and considers past economic events to understand what is presently occurring in a country's economy or the global economy. A doctor must consider a patient's family medical history to understand the patient's health issues.

Assessing Impacts Instead of Judging Motives

How can you honestly know a person's motives, especially when you're researching past events? It may make better sense to focus on the impact of an action rather than the motive behind it. A motive is immaterial if it didn't have an impact. A major impact, however, may need addressing, no matter what the motive was.

Step 4 Recognize the Complexity of Issues

4

Historians understand that issues are not straightforward and have many causes and effects. This means that before drawing any conclusions, historians ensure they have carefully examined and analyzed many sources of information. They have also evaluated the information in terms of bias, point of view, and prior assumptions.

- *What?*—Briefly describe the TNC.
- *Where?*—Examine its early development.
- *Why?*—Trace its history in a brief summary of how it evolved into a prime example of economic globalization.
- *Who?*—Summarize points of view and perspectives on your research issue.
- *Results?*—Draw a conclusion that demonstrates your informed opinion on the issue.

Step 5 Practise Your Skill!

5

1 Apply It.

- a) Use the Internet to conduct research on a top TNC, for example, Nike, Ikea, Gap, or McDonald's. Adapt the Chapter Issue—***To what extent has the expansion of economic globalization affected people's lives?***—to establish a focus for your research. For example: *To what extent has the expansion of Nike affected people's lives?*
- b) Following Steps 1 to 4 and taking the perspective of a historian, prepare a brief journal article on this TNC and its global influence. Keep in mind the five bulleted questions listed in the introduction to this Skill Path and summarized in the box on the left. Describe the TNC's history and development, evaluate its products or services, and establish its success and influence in the global economy. Make sure your article includes at least one table, graph, or map to help organize and interpret the data you collected during your investigation. Share your article with the rest of the class.

- c) Based on the information in your classmates' journal articles, develop generalizations about the extent to which economic globalization affects people's lives.

- 2 **Citizenship and Identity.** As a class or in groups, discuss ways that a historian might study the impacts of transnational products and services as catalysts for change in local industries. Also consider the effects of that change on people in the local community.

Figure 11-2

A vendor in the Kibera market in Nairobi, Kenya. How do TNCs influence global production of consumer goods? How do TNCs influence local production of consumer goods?



International Agreements and Organizations

Question for Inquiry

- How have international agreements and organizations influenced economic globalization?

In Chapter 10, you learned that the Bretton Woods Agreement of 1944 was one of the foundations of economic globalization. You will recall that it created the World Bank, the International Monetary Fund, and a system of international trade for the world's major industrial countries. In this section, you will have a chance to consider how other international organizations and agreements have led to the expansion of economic globalization. You will determine how their objectives and activities have promoted the free flow of trade and free market economies. This inquiry will give you the opportunity to begin to develop an opinion about the Chapter Issue: *To what extent has the expansion of economic globalization affected people's lives?*

The World Trade Organization

As you saw in Chapter 10, the World Trade Organization (WTO) works to improve trade relations among the countries of the world, especially by removing tariffs and other barriers to trade. It is the only international organization dealing with the global rules of trade among countries. Its main purpose is to settle trade disputes among governments and organize trade negotiations and meetings. How would you say this purpose is related to the expansion of economic globalization?

Trade disputes that arise among WTO member countries are brought before special tribunals of trade experts and lawyers. (Check the *Perspectives on Globalization* website for a link to a map of WTO members and observers.) The tribunals decide which country is in the wrong and what that country is required to do to meet WTO regulations. Countries that refuse to abide by the rulings can face economic sanctions from other members or be expelled from the WTO. The Investigation that follows examines one such trade dispute. As you read it, consider how various people and businesses in both Canada and the United States might be affected by the outcome of this international dispute.

Ideas and Opinions

“ We tend to think of global trade and economics as something driven by the IMF, the G8, the World Bank, the WTO, and trade treaties forged by trade ministers. In the future, globalization is going to be increasingly driven by individuals who ... adapt themselves quickly to its processes and technologies. ... They will be of every colour of the rainbow and from every corner of the world. ”

—Thomas L. Friedman,
The World Is Flat: A Brief History of the Twenty-First Century
(New York: Farrar, Strauss & Giroux, 2005), p. 183.

The Chapter Issue asks you to consider the effects of economic globalization on people's lives. What do Friedman's comments suggest about the interaction of people and globalization?

INVESTIGATION

The Canada–US Softwood Lumber Dispute

Something to Think About: To what extent should member countries be bound to the regulations of international organizations and agreements?

An Example: In 2001, the United States imposed a tariff on softwood lumber from Canada. It had long maintained that the Canadian lumber industry was unfairly subsidized by the government.

Canada's lumber subsidies are destroying the US lumber industry, threatening its workers with mounting unemployment, and denying many tree farmers a market for their timber crops. ... US lumber prices are touching new lows, bankruptcies and mill shutdowns are ... climbing higher, while Canada's share of the US market approaches 35 per cent, a near record high.

—Source: Coalition for Fair Lumber Imports, Washington, DC, <http://www.fairlumbercoalition.org>.

British Columbia, the largest lumber-exporting province, was particularly hard hit by the tariff. In spite of several rulings by the North American Free Trade Agreement (NAFTA) in favour of Canada, the United States continued to collect tariffs. The US strategy was to appeal the rulings by NAFTA and launch new claims through the WTO. In August 2005, the WTO ruled in favour of the US claim that its lumber industry was suffering because of unfairly subsidized Canadian softwood lumber exports. Canada appealed the ruling.

It [WTO's 2005 ruling] is only an interim decision. We are examining it very carefully. We were disappointed, of course; we would have liked to have won. But overall, our thrust remains, the US has to live up to the NAFTA.

—Source: Former Canadian trade minister Jim Peterson, quoted in *The Globe and Mail*, August 31, 2005.

In April 2006, Canadian and US negotiators drafted a new agreement under which the United States would lift its 10 per cent duty and refund 80 per cent of the more than \$5 billion collected from Canadian companies over the previous four years. In return, Canada would cap its exports at 34 per cent of the American market and collect a sliding tax designed to discourage companies from exceeding the quota. The US lumber industry would keep \$1 billion in duties taken from Canadian companies since 2002.

Analyzing the Issue: This dispute illustrates how a country's participation in different international organizations and agreements can be problematic. Is it possible to determine whether one organization's



▲
Figure 11-3

The Georgia Pacific lumber mill in California closed down in 2002 after more than 100 years of operation. Speculate about how its former employees might view economic globalization in terms of free trade.

ruling should take precedence over that of another? International organizations and agreements cannot force a country to do something. Canada and the United States can simply decide to withdraw from one or both organizations or, as in this case, they can get together and negotiate a settlement.

- 1 Consider the comments at right about this dispute from two Canadian politicians. From these comments, interpret each politician's opinion on whether the United States should be bound by the regulations and rulings of NAFTA and the WTO. What is your opinion on this issue?
- 2 In what ways might the WTO be seen as an "appeal court" when a dispute arises within the terms of NAFTA? Write a brief paragraph that outlines why international trade tribunals are important.

You want gas, you want oil, and you don't want wood. It's too bad, but if you have free trade, you have free trade.

— **Former Prime Minister Jean Chrétien in a phone call to US President George W. Bush, August 2001.**

We can all talk tough, but in the end we have to make sure that we maintain access to our biggest market that represents 90 per cent of our exports to the US.

— **New Brunswick's former premier, Bernard Lord, responding to proposed retaliatory trade sanctions against the United States, August 2005.**

The Group of Eight

The **Group of Eight (G8)** is an informal group of the eight major industrial democracies. It was previously known as the G7 until Russia became a full participant in the association in 1998. G8 leaders and representatives from the European Union meet at annual summits to discuss economic and foreign policies.

The G8 is not an institution like the World Trade Organization or United Nations, but it does play an important role in global governance because it is able to influence official global institutions. For example, G8 countries have nearly 50 per cent of the vote in the World Bank and the International Monetary Fund, and have a considerable impact on the policies of the WTO. In this way, the G8 has played a role in the expansion of economic globalization.

Some experts say that the G8 represents the interests of an elite group of more developed countries and does not consider the needs of the rest of the world. They point to the fact that countries with fast-growing economies and large populations, such as China and India, are not included in the G8, nor are African or Latin American countries. During its annual summits, the G8's promotion of economic globalization has often resulted in anti-globalization protests. Others maintain that the G8 has been instrumental in aiding less developed countries. They point to the G8's campaigns to combat disease (for example, HIV/AIDS) as well as its development programs and debt-relief plans.

The G8

Canada	Japan
France	Russia
Germany	United Kingdom
Italy	United States

Fast Facts

According to the UN Report on Global Governance, *global governance* is not global government but a global system of rules to manage global affairs, to be "responsive to the interests of all peoples in a sustainable future," to be "guided by basic human values," and to make global organizations "conform to the reality of global diversity."

How is global governance different from global government?

Fast Facts

In 2002 Canada hosted a G8 summit in Kananaskis, near Calgary, Alberta. The summit focused on three priorities: “fighting terrorism, strengthening global economic growth and sustainable development, and building a new partnership for Africa’s development.”

How can countries of the world “strengthen sustainable development” at the same time as they “strengthen global economic growth”?

Ideas and Opinions

“Does Russia really belong in the Group of Eight—the assembly of the world’s leading industrialized democracies? As things stand today, it meets only one criterion for membership: the size of its economy. So far as political rights are concerned, Russia ranks 168th out of 192 countries, according to Freedom House. In terms of corruption, the organization Transparency International ranks Russia 126th out of 159 countries.”

—Andrei Illarionov, former senior economic adviser to Russian President Vladimir Putin, quoted in “Russia Spells Death of Group of 8,” *Kitchener–Waterloo Record*, April 26, 2006, p. A17.

What might Russia’s record of political rights and corruption tell us about the way its leaders view human rights issues? As economic globalization expands, why might leaders of the G8 want to ensure that countries within its organization respect the rights of all citizens?



The Live 8 Organizers

The group that organized the Live 8 concert series believes that G8 leaders have a duty to improve the lives of the world’s peoples. These activists organized Live 8 to coincide with the G8 summit held in Perthshire, Scotland, in July 2005. The following news article explores the group’s perspective, as well as the responses of some of its critics.

Politically inclined pop stars ... have become global statesmen. ... Take Live 8, the global gig being organized by former Boomtown Rat Bob Geldof and one-time Ultravox frontman Midge Ure. ... In the run-up to the concert, pop stars have been everywhere, proffering their views on what the powerful G8 nations should do to tackle poverty and pestilence in Africa. But what do pop stars really know about the world? ... In an article in London’s Evening Standard, ... Bono declared: “I represent a lot of people [in Africa] who have no voice at all. ...”

[Bono] chastises political leaders for their inaction on global poverty. Geldof has also become a jet-setting political spokesman for the poor and destitute. He recently caused controversy in Canada ... when he told [former] Prime Minister Paul Martin not to bother showing up at the G8 meeting in Edinburgh ... unless he was prepared to increase Canada’s foreign aid to 0.7 per cent of GDP. “Since when do statesmen bow down to rock stars?” asked Connie Woodcock of the Toronto Sun. ... [W]here does



Figure 11-4

The Live 8 poster. What do you think the symbols in this poster represent? What do they suggest about economic globalization?

... this second-string musician get off telling Paul Martin he doesn't like our foreign aid spending?"

Neal Lawson, chair of the left-leaning think tank Compass, says he is not 100 per cent convinced that Live 8 will have a lasting political impact. But he reckons we should welcome the new kind of politics being fronted by the likes of Geldof and Bono. "People like Geldof can bring some passion to events and galvanize people, and we shouldn't write that off," he says.

James Panton, a lecturer in politics at Oxford University, disagrees. He thinks it is the "exhaustion of political vision" that has allowed "these petty celebrities with their banal and limited arguments to take centre stage. ... Live 8 is about moralizing rather than positing a genuine political alternative. In place of an attempt to analyze and understand the world ... we have Geldof and others telling Africa: 'We feel your pain.'"

Neal Lawson remains more upbeat. "Live 8 isn't perfect," he says, "but how many millions has it got talking about poverty in the [less developed] world? That is a good start."

— Excerpted from Brendan O'Neill, "What Do Pop Stars Know About the World?," BBC News, June 28, 2005, <http://news.bbc.co.uk/1/hi/magazine/4629851.stm>.

- 1 Former Prime Minister Paul Martin responded to Bob Geldof's comments in this way: "I believe in the 0.7 [per cent] and I would very much like to see Canada get there by the year 2015. But I'm not going to make a commitment that I'm not sure the government will be able to keep." What do Geldof's and Martin's comments suggest about their positions on foreign aid as an aspect of economic globalization?
- 2 What role, if any, do you think celebrities should play in political and social issues?
- 3 Do you think that making people aware of issues in less developed countries can be effective in combating problems such as hunger and poverty? Explain.

La Francophonie

Another international organization that has contributed to the expansion of economic globalization is La Francophonie. In Chapter 5, you learned that one of its roles is to protect and promote the culture of French-speaking peoples. This organization also plays an important role in enhancing the economic development of countries with French-speaking citizens.

Canada is one of its original members and, as one of its wealthiest members, enjoys a leadership role within La Francophonie. The Canadian government would like particularly to accelerate the economic integration of the least developed Francophone countries into the international trading system. In other words, it wants to help these countries in their struggle to gain some of the benefits of becoming part of the global economic system. As well, our federal government would like to strengthen the social and economic integration of Francophone youth by familiarizing them with new technology.

Fast Facts

In 2002–2003, Canada’s aid budget was \$2.3 billion, or 0.24 per cent of gross domestic product. The Canadian government announced plans to double that amount by 2010, which would increase our contribution to 0.4 per cent of GDP. The UN recommends that more developed countries contribute 0.7 per cent of GDP.

Do you think Canada should allocate more money to foreign aid, or concentrate more on helping disadvantaged people within our own country, or both? Explain your reasons.

The Canadian International Development Agency

You know that Canada provides aid to less developed countries, but how does it go about providing this aid? The **Canadian International Development Agency (CIDA)** is the government agency responsible for administering foreign aid programs in less developed countries. CIDA’s mandate is “to support sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable, and prosperous world.”

If a country experiences a natural disaster such as an earthquake or a hurricane, CIDA contributes short-term humanitarian aid in the form of money, supplies, and human resources. To support long-term sustainable development, CIDA sponsors medical personnel, farmers, teachers, technicians, and other advisers to help people in less developed countries find lasting solutions to their problems.

One of CIDA’s priorities is to promote human rights, democracy, and good governance in less developed countries. How do these three issues contribute to an individual’s sense of citizenship and identity? If individuals do not feel secure within their society, how might this affect their contribution to that society?

Explore the Issues

1 Concept Web. Research the Canada–US softwood lumber dispute. Check the *Perspectives on Globalization* website for a link to information on this dispute.



- From your findings, create a concept web to explore how this dispute affects the lives of people working in the lumber industry and related industries in Canada and the United States. Refer to the Skill Path in Chapter 1 (pages 7–8).
- Draw conclusions from your concept web to determine what your perspective might be on this dispute if you were
 - an employee in the US lumber industry or a related industry
 - an owner of a Canadian lumber mill.

2 Be a Global Citizen. Using the Internet and library sources, research one or two CIDA projects. Develop criteria to evaluate the projects, and then assess their impact on the people

involved. Refer to the Skill Path on pages 71–72 for guidance on developing criteria. Prepare a report on the projects, identifying questions and issues that arise from your research.

3 Practise Your Skills. In this chapter’s Skill Path (pages 227–228), you learned how to investigate the past to understand the present.

- Apply these skills to an investigation of one of the international agreements or organizations explored in this section. As you conduct your investigation, make sure you address the five questions outlined in the Skill Path. **SKILLS:**
- Summarize your findings by creating a poster that includes information that addresses *what? where? why? who?* as well as engaging visuals. Also include a section titled “Results” that draws a conclusion about the organization or agreement and its impact on economic globalization.



The Indigenous Peoples Partnership Program

In 2003, CIDA launched the Indigenous Peoples Partnership Program as a way for Indigenous organizations in Latin America and the Caribbean (LAC) to form partnerships with Aboriginal organizations in Canada. The IPPP's goal is to support sustainable development and poverty reduction for Indigenous peoples in LAC. These partnerships also give people the opportunity for social, cultural, and Indigenous knowledge exchanges.

Tony Belcourt, president of the Métis Nation of Ontario, thinks there are many advantages to forming partnerships among Aboriginal organizations in more developed and less developed countries:

I believe there is much potential economic benefit to Métis organizations and businesses through possible international trade and/or partnership development. Indigenous peoples of central and southern America have much to offer in terms of goods and cultural industries. Métis organizations and businesses have much to offer in these areas as well. In addition, we have valuable organizational expertise in many areas that could be of benefit to Indigenous peoples and organizations in the South. IPPP is designed to foster development in these areas. I know full well that Indigenous peoples of the South are looking for partners in the North. What is needed is an exchange where our two sides can meet and foster those relationships, getting to know each other, our respective goals, and what we each can bring to a potential partnership.

—Source: The Métis Nation of Ontario, August 17, 2005, <http://www.metisnation.org/international/OAS/home.html>.

The oral histories of Aboriginal peoples reflect a world view that illustrates a strong bond between their economies and nature. Many Aboriginal societies practised a lifestyle of sustainable development—they took from the environment only what they needed to survive. What role might this world view play in economic partnerships between Aboriginal organizations in Canada and Indigenous organizations in Latin America and the Caribbean?



◀ **Figure 11-5**

A Carib woman in Dominica holds a rabbit she is raising for food. The IPPP goal is to improve local diets and generate local income. How might the IPPP help Indigenous peoples to explore the impact of historical and contemporary globalization on their lives?

Transnational Corporations

Question for Inquiry

- How have transnational corporations influenced economic globalization?

READING STRATEGY

Before you start reading this section, recall what you learned about transnational corporations from your earlier work in this text (Chapters 1 and 3).

You first encountered transnational corporations in Chapter 1 when you considered how your daily activities relate to the effects of economic globalization on your life. Think of your activities over the past week or so. How many of them involved dealings with TNCs? Perhaps drinking coffee at Starbucks? Talking on a Samsung cell-phone? Cooking food in a microwave oven made by General Electric? Printing a homework assignment on a Hewlett Packard printer?

In this section, you will have a chance to examine the influence of transnational corporations in driving the world toward greater

economic globalization. By considering the ways that TNCs function as a force of globalization, you can continue to develop your opinion on the Chapter Issue: *To what extent has the expansion of economic globalization affected people's lives?*

How Do Transnational Corporations Operate?

In order to expand their businesses, many companies set up operations in foreign countries. Once they have increased their operations abroad to involve a number of countries, their financial, production, and marketing decisions become based on global rather than domestic concerns. Transnational corporations have grown rapidly since the 1950s. Some economists believe that this growth was aided by the relatively peaceful times that followed the Second World War. Today, there are more than 40 000 TNCs in the world, with some 250 000 **subsidiaries** (companies controlled by the parent company).

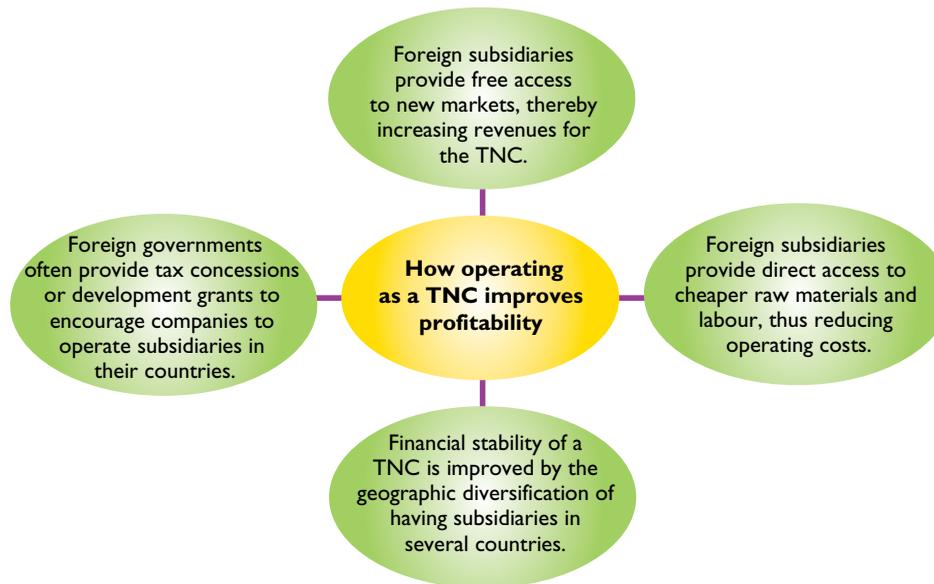


Figure 11-6

What is cartoonist Mike Baldwin’s message about the impact of economic globalization in our homes? Consider the cartoon’s caption, main images, and small background details.

Decision making within transnational corporations is a complex matter. Important financial decisions are made by the head office, while decisions regarding marketing and distribution are left to the individual subsidiaries. Most research and product development also takes place at the head office. Considering that most of the top TNCs are concentrated in seven more developed countries, what impact do you think this approach has had on other countries around the world?

As you saw in Chapter 1, the main reason companies choose to operate as transnationals is to improve their profitability. Figure 11-7 illustrates how this is possible.



The Impact of Transnationals on the Global Economy

As you have seen, large companies can produce goods and services in a number of countries and then sell them around the world. But what effect does this have on the economies and people in the countries where these companies operate? There are different opinions about this issue. One opinion holds that TNCs can help to reduce poverty in less developed countries by

- bringing wealth into a country through employment and investment. The majority of international investment in less developed countries comes from TNCs and private sources.
- providing jobs, either directly in the subsidiary or indirectly through the growth of local businesses that provide goods and services to newly employed workers, who can now afford them.

Figure 11-7

◀ How would geographic diversification help improve a TNC's profitability? (Think about economic and political stability or upheaval in a country and its effect on TNCs.)

Ideas and Opinions

“Transnational corporations are now the main global economic force. [They] have eroded the notion of a national economy; there is now only a global one. ... For the purposes of transnational corporations, the boundaries that separate one country from another are ... merely convenient demarcations [the marking of boundaries] of ethnic, linguistic, and cultural entities. The world outside the home country is an extension of the single global market.”

—Keith Suter, futurist, in
**“Transnational Corporations:
 Knitting the World Together,”**
Social Alternatives,
 Vol. 23, No. 4, 2004.

What does this statement suggest about a person's sense of identity in the global economy? Is it possible for a country's citizens to participate in the global economy without giving up something of their personal and collective identities? Explain your view.

Ideas and Opinions

“Global regulation of TNCs is necessary because some activities of TNCs are outside the reach of national law. The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises propose that companies be held accountable to the international community for human rights breaches. ... Many governments argue that human rights law does not apply to ‘non-state’ actors such as TNCs. Yet obligations that apply to non-state actors exist in other International Labour Organization statutes and United Nations resolutions, for example, on slavery and piracy. The real problem is one of political will.”

—Catholic Agency
for Overseas Development;
excerpted from “Multinational
Corporations Factsheet,”
<http://www.cafod.org.uk>.

Why might the author of this statement believe that the issue of TNCs and human rights law is a problem of “political will”?

Figure 11-8

Activities at Grasberg open mine in Papua province, Indonesia. The mine is run by a local unit of Freeport–McMoran Copper & Gold, a US-based mining giant. In March 2006, Indonesia’s government threatened legal action against the company unless it improved its environmental practices at the massive gold mine. What factors might influence the company’s decision to either improve its practices or shut down its operations at the mine?

- passing on expertise in their field and increasing a country’s **human capital**—the knowledge, skills, and talents that workers have. Some TNCs provide training and education for employees, creating a more highly skilled labour force. These skills, including management and entrepreneurial skills, may be transferred to other people and businesses in the country.
- paying taxes to the host country’s government.

Another opinion holds that TNCs can do harm in less developed countries by

- employing managers from other countries but employing manual labour from local communities and paying them low wages. This does not lead to the transfer of management and entrepreneurial skills within the country.
- using **capital-intensive production**, in which most work is done by machinery, instead of using **labour-intensive production**, in which most work is done by hand. Since many less developed countries have a large labour force and high levels of unemployment, critics of TNCs argue that this approach does not reduce poverty or encourage development.
- using their influence over a country’s government to gain subsidies and grants or exemptions from taxes or environmental laws.
- ignoring human rights issues, for example, by not allowing their workers to join trade unions or by buying materials from factories where child workers are exploited.





Transnationals and Less Developed Countries

Here are three opinions on the impacts of TNCs in less developed countries.

... [F]oreign investment is synonymous with multinationals. If multinationals and foreign investment are evil, they are necessary evils. Some people think foreign investors are standing in a queue and knocking at India's doors to come in. No! If you don't create a climate here, they will go to China or Vietnam or Eastern Europe.

—Murasoli Maran, former Indian Minister for Commerce and Industry, quoted in Rediff on the Net, "The Rediff Business Interview/Murasoli Maran," May 4, 1998, <http://www.rediff.com/business/1998/may/04maran.htm>.

The strengthened capacity of China's manufacturing industry is a result of economic globalization. It is also a result of the development of multinational companies. Globalization ... enabled entrepreneurs' production everywhere by taking advantage of the areas' natural resources, capital, technology, information, management, and labour, and the selling of products. ...

China had extensive low-cost and high-quality labour resources, which have become a major attraction for multinational companies. ... By the end of December 2003, China had ushered in a total of US\$501.5 billion in actual **foreign direct investment (FDI)** [investment in a country made by a foreign company], making it the second largest destination for FDI, after the United States.

—Zhou Qing and Mo Wangui, research staff at the People's Bank of China, in "Analysis: China's Growth Blesses the World," *China Daily*, October 20, 2004, http://www.chinadaily.com.cn/english/doc/2004-10/20/content_384078.htm.

We don't want multinational companies to operate in West Papua because they came, took our land, and destroyed our environment, our way of life. They're interested not in human beings, they're interested in our resources. ... This is the impact of rich people in the world. I would say, "Leave us alone. We want to run everything, we want control." But people came and said, "Do this, do this." ... I'm not seeing the democracy. American and British, they promote democracy. But where is the democracy in West Papua?

—Benny Wenda, leader of the Kotega Tribal Assembly, West Papua, quoted in Raised Voices, "Testimonies from the Margins," <http://www.raisedvoices.net/bennytncs>.

- 1 What bias does each of these individual speakers have?
- 2 Using an organizer, identify the issues raised by each of these opinions. Synthesize each argument in a written paragraph.
- 3 With so many countries trying to expand economic growth and increase employment, do you think a less developed country should give transnationals special treatment in order to encourage them to establish business operations there? Explain.

READING STRATEGY

When you read a passage that includes various dates and figures, you might become distracted or overwhelmed by these data. To help improve your comprehension, create a timeline of the dates and facts in the passage.

Fast Facts

The top 200 TNCs account for about 28 per cent of global economic activity. Of these top TNCs, 186 are headquartered in only seven more developed countries: the United States, Japan, Germany, France, the United Kingdom, the Netherlands, and Switzerland. South Korea and Brazil are the only less developed countries with TNCs in the top 200.

What economic benefits would result when a TNC establishes its headquarters in a particular city?



Transnationals and More Developed Countries

When we consider the expansion of transnational corporations, we often tend to think of the impact on less developed countries. However, the expansion of TNCs has also had a significant impact on more developed countries. Job losses have occurred, entire industries have been moved offshore, and more developed countries have lost market share to less developed countries that can produce certain goods more cheaply.

You have already considered one example in Chapter 1—the Investigation of Wal-Mart stores expanding across Canada. Another example is General Motors, which has been shutting down plants in North America. General Motors Corporation (GMC), headquartered in Detroit, Michigan, has been the world's largest automobile manufacturer and global industry sales leader since 1931. Canada's largest automaker is General Motors of Canada, a subsidiary of GMC. Employing approximately 20 000 people, GM Canada has four assembly plants and three components facilities in Ontario and Québec. The company makes more than one million automobiles annually; about half of these are exported, mostly to the United States. This makes GM Canada our largest exporter of goods.

Over the past few years, however, General Motors Corporation and the other North American automakers, Ford and Chrysler, have been losing ground to Japanese manufacturers such as Toyota, Honda, and Nissan. As a result, GMC announced plans in November 2005 to save US\$2.5 billion a year by cutting 30 000 jobs in North America, including nearly 3900 jobs at three of its Canadian plants.

Executives at GMC's head office explained that rising labour costs and soaring health care bills in the United States had cut into profits. Employees of GM Canada were angry that Canadians were going to suffer job losses because of problems south of the border. The Canadian workers pointed out that the two GM Canada plants operating in Oshawa were among the most efficient in North America. They believed that cuts to these two plants did not make sense and were unfair. But industry analysts pointed out that the Canadian layoffs were simply a sign of how deep the troubles were running at GMC.

Figure 11-9

Workers listening to the bad news about job cuts at a November 2005 press conference at the General Motors plant in St. Catharines, Ontario. What might these workers be thinking? What impact might these job losses have on the local community?

Explore the Issues

1 Practise Your Skills.



- a) Research one of the top 100 TNCs. Check the *Perspectives on Globalization* website for a link to the list of top TNCs. Gather information on
- how, when, why, and where the TNC was started
 - what it produces
 - the countries in which it operates
 - the impact it has had on national economies.
- b) Interpret your findings to determine how the TNC has affected the lives of people in the countries where it operates.

- c) Organize and present your findings in oral or written form. Support your presentation with tables, graphs, and maps.

- 2 **Analyze Information.** Review the information on TNCs in this section, keeping in mind the Main Issue for Part 3: ***To what extent does globalization contribute to sustainable prosperity for all people?*** Write a brief report on TNCs that addresses this issue. Make sure you consider multiple perspectives in your analysis, and include at least two quotations in your report.

Telecommunications and Transportation Technologies

Question for Inquiry

- How has technology influenced economic globalization?

Have you made a long-distance telephone call recently? Did you surf the Web today or send a text message or an email to a friend? Yesterday, perhaps you watched a sports or news event that was being broadcast from another country via a communications satellite. Will relatives who live overseas be visiting your family this summer? No matter how far away they live, the trip will probably take them no more than 24 hours by airplane. None of these activities seems out of the ordinary today. But it wasn't so long ago that a three-minute overseas telephone call would have burned a hole in your pocket, and a trip overseas was a long and very costly matter.

In this section, you will have a chance to explore improvements in telecommunications and transportation technologies and consider the role they have played in the expansion of globalization. Throughout this inquiry, you can further develop your opinion on the issue for this chapter: ***To what extent has the expansion of economic globalization affected people's lives?***



READING STRATEGY

Before you start reading this section, predict how advances in telecommunications and transportation technologies have affected people's lives and contributed to the expansion of economic globalization.

Fast Facts

The total volume of international telephone calls more than doubled in just six years during the 1990s, from 33 billion minutes in 1990 to 70 billion minutes in 1996.

What might be some reasons for this increase in volume?

Telecommunications

Advances in telecommunications allow people around the world to communicate instantaneously or to witness the same event at the same time. For example, a person in the Northwest Territories who wants to communicate immediately with a friend or business associate in South Africa can choose to do so by sending an email, fax, or text message, or making a phone call. When a conflict or disaster strikes a country or region, people throughout the world hear about it or witness the events via communications satellites. This, in turn, can have an almost immediate effect on the global economy. When the World Trade Centre was attacked on September 11, 2001, stock markets around the world quickly experienced a sharp decline.

Developments in telecommunications over the past 25 years have revolutionized the business world. For example:

- The use of ATM machines and Internet banking has dramatically reduced costs for the banking industry.
- Computers allow businesses to process, share, and store huge amounts of information on a disk or a computer chip.
- Stocks, bonds, and other securities can be traded around the clock and around the world as a result of innovations in telecommunications.
- The Internet, fax machines, cellphones, and satellites allow people to communicate instantly with their employers and customers from almost anywhere.
- When people in Canada want to order certain products or get advice about a problem with an electronic device, they can phone, email, or fax a call centre that might be located in a foreign country.

INVESTIGATION

The Dell Business Model

Something to Think About: How have developments in telecommunications changed the way businesses operate?

An Example: Perhaps you own or have used a Dell computer. Dell was founded in the mid-1980s on a basic concept—selling computer systems directly to customers through the telephone network and, later, the Internet. Because this system bypasses retail stores, it is called a **direct business model**. In this way, Dell can sell its products

and services worldwide without the expense of having bases in many countries. The company manufactures its computer systems in the United States, Brazil, Ireland, Malaysia, and China. The direct model also allows the company to build each system to the customer's specifications. Close to 80 per cent of Dell's sales are to companies; the remaining sales are to individual consumers.

As you read the news article below, think about how Dell's business model relates to the expansion of economic globalization.

News Article about Dell:

The business model that has made Dell the world's largest seller of personal computers isn't exactly what Michael Dell started out with 20 years ago. It evolved through trial and error. The model got a turbo boost from the Internet, which allowed customers to shop by themselves and customize their own products. "The Internet was a huge accelerator to our business, although the business was doing pretty well before the Internet came along," Dell says.

The Internet also allowed Dell to mine its customer base for data, predict buying trends, and get nearly instant feedback on pricing. And it allowed the company to link directly to suppliers, seeing inventories in real time, which gave it the ability to shorten manufacturing lead times and improve forecasting. Dell launched its website in 1994. ... Back then, customers could configure a computer online but still had to talk to a sales representative to order one. Dell started selling computers online in June 1996. Four years later, online sales were running at \$50 million a day. The year after that, 2001, Dell became the biggest PC seller in the world, surpassing Compaq.

[During a three-month period in 2004], 75 million different customers visited the site, which had 200 million hits. The payoff? "We think over 85 per cent of our customers use dell.com in some way in the purchase process," Dell says. "Over 85 per cent of our revenues are touched by dell.com. That's pretty huge as a kind of media platform and way of reaching out to customers."

—Source: Excerpted from John Pletz, "Dell Changed Industry with Direct Sales," *American-Statesman*, May 3, 2004, <http://www.statesman.com/business/content/business/stories/archive/0503dell.html>.



▲
Figure 11-10

A Dell On Call centre in Oklahoma City, USA. Dell On Call offers fee-based telephone assistance to help customers with any problems not covered by warranty. Why might some customers choose to pay for telephone assistance rather than dealing with a local computer service outlet?

- 1 What would be some of the impacts of Dell's business model on
 - individual consumers?
 - business consumers?
 - retailers?
 - other computer manufacturers?
- 2 How would you respond to someone who was concerned about the fact that the world is communicating on a virtual basis more often than on a face-to-face basis?

Ideas and Opinions

“The most significant transportation ‘revolutions’ occurred some time ago; these include the rise of reliable transoceanic sailing and the subsequent application of steam power to these ships, and then to their counterparts riding on rails over the land. But the 20th century added another revolution, the jet airliner. Not a particularly earth-shattering development for transporting goods, it nonetheless revolutionized the long-distance transport of people. Now, an amazingly broad segment of humanity can afford to travel to overseas destinations, not just once or twice in a lifetime, but multiple times and for relatively short stays.”

—Peter S. Morris,
geographer, Santa Monica
College, Santa Monica, California,
in “Globalization: The Global
Village and the World System,”
[http://homepage.smc.edu/
morris_pete/papers/main/
globalization.html](http://homepage.smc.edu/morris_pete/papers/main/globalization.html).

How has the growth of air travel made the world increasingly interconnected?

Fast Facts

One-fifth of global carbon emissions comes from the transportation of goods. The amount of transportation is expected to increase by 300 per cent in the next 20 years.

What role should businesses that make a profit from the transportation of goods play in reducing global carbon emissions?

Transportation

The growth of international trade and the globalization of production go hand in hand with improvements in international transportation systems. With these advances, more passengers and freight can be transported more quickly and efficiently. Today, trade can occur between parts of the world that previously had little or no access to international transportation systems. Why is access to transportation systems a very important factor in a country’s ability to compete in the global economy?

Improvements in transportation systems have also allowed companies to set up production in any number of foreign factories. Consider the example of Caterpillar, a tractor manufacturer headquartered in Illinois. The different parts for the tractors are manufactured in several countries: engines in Japan, transmissions in the United States, winches in Brazil, and axles in Belgium. The parts are shipped to an Ontario plant, where they are assembled into tractors. The completed tractors are then sold to countries around the world.

Because of distances and geography, several types of transportation are often needed to move freight, especially when the starting point and destination are far apart. This is known as **intermodal transportation**. In order to ship and handle today’s huge amounts of cargo efficiently, transport companies package merchandise in large standardized containers that can be transferred directly to truck trailers or rail cars.



Figure 11-11

Two tractor trailers carry containers out of the Port of Vancouver as a container ship leaves for Asia. Since the mid-20th century, ports have modernized their facilities by automating operations, installing computerized tracking systems, and handling containers. What impact do you think these developments have had on employment in the shipping industry?

Share of Containerized Cargo in Global Merchandise Trade, 1980—2000

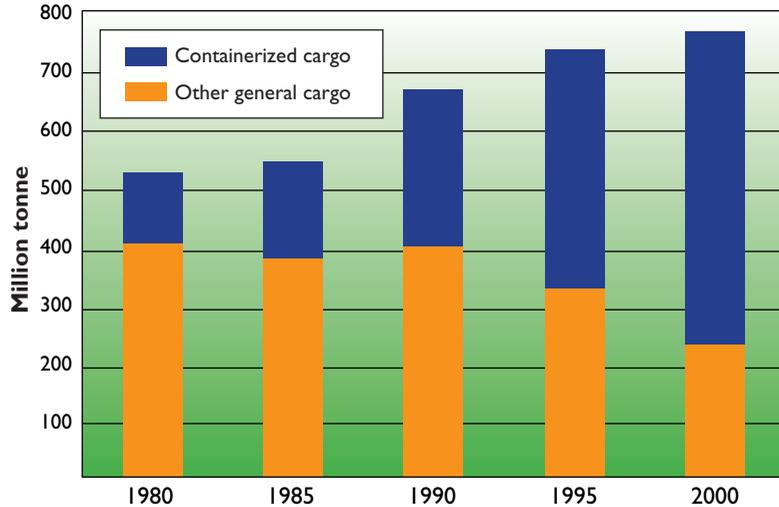


Figure 11-12

By what percentage did containerized cargo grow between 1980 and 2000? What does this suggest about global trade in the latter part of the 20th century?

Source: Data from Intermodal Shipping, cited in Jean-Paul Rodrigue, “Transportation, Globalization, and International Trade,” <http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/ch5c2en.html>; chapter 5 of J.P. Rodrigue, C. Comtois, and B. Slack, *The Geography of Transport Systems* (New York: Routledge, 2006).

Ideas and Opinions

“At its most fundamental level, globalization is a revolution in the way goods are moved from point A to point B. ... Today, the ability to move things farther, faster, deeper, and cheaper is precisely what has allowed China to enter the global economy. And, it is precisely why express shipping has played such a special role in shaping the Chinese economy that is now emerging. It is not just making things more efficient. It is literally changing the character of the economy.”

—Michael L. Ducker, executive vice-president, FedEx, in “China–US Relations: Past, Present and Future” (speech to the US–China Business Council, College Station, Texas, November 6, 2003), <http://www.fedex.com/us/about/news/speeches/chinaeconomy.html?link=4>.

Why would Michael Ducker say that the starting point for economic globalization was the ability to transport goods “farther, faster, deeper, and cheaper”?



Figure 11-13

This factory in Shenzhen, China, produces Christmas trees and Christmas novelties. As its manufacturing activities expand, China is importing increasing quantities of raw materials and energy and exporting increasing quantities of manufactured goods. As a result, there has been a rise in demand for international transportation. What might be some of the impacts of this rise in demand?

Explore the Issues

- 1 Conduct Research.** Growth in transportation and telecommunications innovations—as well as the desire to increase profits—has driven many companies to become top TNCs. **SKILLS:**
 - Select one of the TNCs listed here, or select another TNC (discuss this choice with your teacher). Conduct research to determine both how the TNC has benefited from globalization and how it has advanced globalization.
 - IBM, AT&T (growth through innovations in telecommunications)
 - Halliburton, Canada Steamship Lines (growth through innovations in transportation)
 - Dell, Wal-Mart, FedEx, Exxon (growth through innovations in both telecommunications and transportation)
 - As you conduct your research, create a timeline that outlines the TNC’s growth from its founding.
 - In a format of your choice, present your findings on how the TNC has both benefited from globalization and how it has advanced globalization. Ensure that your presentation explains your informed position on the extent to which the TNC has affected people’s lives.



Reflect and Analyze

In this chapter, you examined the expansion of economic globalization. With this understanding, you can now develop a further response to the Chapter Issue: *To what extent has the expansion of economic globalization affected people’s lives?* Think about what you have learned regarding the impacts of economic globalization on human activities around the world.

Recognize Relationships between Content and Issues

- 1** For the section “International Agreements and Organizations” on pages 229–235, create a graphic organizer to identify the relationships between
 - the Key Issue for this course: *To what extent should we embrace globalization?*
 - the Main Issue for Part 3: *To what extent does globalization contribute to sustainable prosperity for all people?*
 - the Chapter Issue: *To what extent has the*

expansion of economic globalization affected people’s lives?

- the Question for Inquiry for the chapter section: *How have international agreements and organizations influenced economic globalization?*
- 2** The difference in access to information technology between more developed and less developed countries is known as the “digital divide.”
 - Read the information below about the digital divide.

There are an estimated 606 million people online globally, yet there are 6.1 billion people in the world. Thus, only about 10 per cent of the world’s population is online. Access to the Internet is extremely unequal around the world. ... Less than 1 per cent of the world’s online population lives in Africa, yet more than 35 per cent of the world’s Internet users live in North America.

The Internet access gap is partially explained by income levels. ... [D]eveloping countries such as

Nepal and Bangladesh, whose monthly Internet charges represent 270 per cent and 175 per cent of average monthly income respectively, require a much greater percentage of monthly income than developed countries such as the United States, where the charge for monthly Internet access is less than 1 per cent of the average monthly income. ... As one expert points out, "Continuing disconnectedness leaves developing countries less competitive in the newly wired global market place, and less participatory in the now electronically networked global knowledge systems than their more connected OECD [Organization for Economic Co-operation and Development] neighbours."

For instance, the infrastructure needed to deliver telephone lines could be eliminated in many developing countries by simply utilizing mobile communication technologies. ... Basic indicators show that the number of telephone lines per 100 inhabitants is 2.49 in Africa, while the number of telephone lines per 100 inhabitants in the United States is 69.97. Access to mobile networks would allow developing countries to access information without having to invest heavily in fixed phone line infrastructure.

—Source: Center for Strategic and International Studies, Globalization101.org, "The International Digital Divide," <http://www.globalization101.org/index.php?file=issue&pass1=subs&id=48>.

- b) Write a word-processed paragraph about the digital divide. Clearly identify three ways that unequal access to telecommunications technology puts less developed countries at a disadvantage. Reflect on the information in your paragraph, and then evaluate how this unequal access has had a direct impact on the daily lives of people in less developed countries.
- c) Write another paragraph to suggest two or three solutions or steps that could be taken to improve the situation.

Focus on Research and Inquiry

- 3 Since transnationals operate in many countries, it is difficult for national governments to

regulate their activities. Adam Harmes, professor of International Relations at the University of Western Ontario, believes that the solution is "political globalization." He explains that political globalization "is about creating global governance through a greater number of agreements and institutions between [countries]." He uses the Kyoto Protocol (an international agreement to cut emissions of greenhouse gases) as an example of the kind of political globalization that is needed. (In Chapter 19, you will investigate the Kyoto Protocol's effectiveness as a strategy for addressing a global problem.) According to Harmes, this is the kind of international co-operation needed to establish rules and regulations to control TNCs.

- a) Develop your response to this issue: *To what extent can a sovereign country control transnational corporations?* To help you conduct your research, refer to the Inquiry Model on the inside front cover of this text or to your own inquiry model, if you have developed one.
- b) Present your research and analysis in a well-informed position paper. To develop a position, follow the outline on page 113. In your paper, you may also want to refer to Harmes's ideas and to the United Nations' definition of global governance, outlined on page 231 of this chapter.
- c) **Reflect on the Process.** Consider your work during the *processing* phase of your research. Did you choose appropriate information? How did you record it? Were you able to connect the different pieces of information and make inferences from them? Did you review and revise the plan for inquiry?