

Unit 9

Globalisation

1. Globalisation

: growing integration of the world's economies. Some of the key features of globalisation are outlined below

- Goods and services are traded freely across international borders.
- People are free to live and work in any country they choose.
- There is a high level of interdependence between nations.
- Capital can flow freely between countries.
- There is a free exchange technology and intellectual property across borders.

2. Reasons for globalisation

There are a number of reasons for this trend.

2.1 Developments in technology

Eg. Buy goods online from firms located in different parts of the world

2.2 Improvement in international transport networks

Eg. Cost of flying has fallen and the number of flights and destinations flown to has increased.

2.3 Deregulation.

- Privatisation has allowed more competition in many industries.

2.4 An increase in tourism has also helped globalisation to thrive.

Eg. Consumer tastes have changed as a result of their experience when travelling abroad. People are more willing to try goods and services produced in other countries.

2.5 Many firms want to sell abroad, perhaps because domestic market have become saturated

Saturated (to offer so much of product for sale that there is more than people want to buy)

3. Government and globalisation

: Globalisation can only flourish if governments are committed to it .

For example

3.1 Countries cannot trade if the government keeps international borders closed

3.2 International trade will be very limited if governments put up trade barriers

3.3 People cannot be free to live and work in overseas countries unless borders are kept open

3.4 Firms cannot develop their businesses overseas if planning permission is denied.

4. Opportunities of globalisation for business

4.1 Access to larger markets

: Access to huge market, this provides huge opportunities to increase sales.

4.2 Lower cost

: If businesses are able to grow by selling more output to larger markets, they may be able to lower their cost.

4.3 Access to labour

: One of the benefits of globalisation is the free movement of labour. This means that people are free to move around the world and find employment in other countries.

4.4 Reduced taxation

: Businesses can choose where to locate their base. Consequently, they can reduce the amount of tax they pay by locating their head office in a country where business taxes are low.

5. Threats of globalisation to businesses

5.1 Competition

: Businesses will face increased competition as a result of globalisation. A

5.2 International takeovers

: It is possible for a business in one country to take over a business in another.

5.3 Increased risk of external shocks

: The interdependence that results from globalisation could pose threat to businesses.