

## **1. Explain what is meant by the term globalisation.**

Globalisation is the internationalisation of goods, services, labour and financial markets which has led to businesses being active in a global economy.

## **2. Outline the major benefits for business that arise from the internationalisation of capital and financial markets.**

The major benefits that have arisen for businesses due to the internationalisation of capital and financial markets are that they now have greater access to global finance, which allows them to expand the business domestically or internationally at a much greater rate. Further, businesses now have a greater variety of financing options that they can choose from to best meet their funding requirements.

## **3. Discuss the implications of global labour markets for businesses. Explain what barriers might prevent the movement of people between countries.**

One of the main implications of the development of global labour markets is that businesses now have access to a greater pool of human resources which allows them to more easily find employees who have the skills they desire. Also, globalisation in labour markets has allowed some businesses to gain a competitive advantage by relocating to the most efficient business environments. Another obvious benefit is the reduction in labour costs than can arise from labour mobility.

There are, however, many barriers which affect the movement of people between countries such as migration restrictions, which limit access to some countries, and the social and financial costs involved in locating to a new country.

## **4. Describe the factors that have contributed to the growth of global consumer markets.**

Many factors have contributed to the growth of global consumer markets. The main drivers of this growth have been the availability of goods over the Internet and the dramatic increase in international trade which has facilitated consumer access to goods produced all over the world. Global consumers seeking global brands has hastened the growth of global consumer markets.

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**5. People say globalisation gives consumers greater choices, but over the last decade individuals have increasingly preferred the same thing – Coke, McDonald’s and Britney Spears.**

How does globalisation lead to greater diversity in cultures? How might globalisation lead to greater similarity between different cultures?

Globalisation has led to a greater diversity in cultures as it has been driven by the globalisation of labour markets. Thus most countries now have a multicultural society which exhibits greater diversity. Other factors that have driven globalisation such as the Internet, increased tourism, satellite TV and global branding have had a considerable impact on consumers. This has led to greater similarities in tastes and lifestyles in different cultures.

However, some social and economic observers note the cultural imperialism implied by the reduction in choices seeing it as a detriment to global diversity. That is, countries with their own unique cultures are being permeated by strong Western influences as a result of globalisation, leading to more similarities between these cultures.

**6. What role has trade in goods and services played in globalisation? What types of goods and services have experienced the fastest growth in recent decades?**

The rapid growth in the trade of goods and services since World War II has been a major driver of globalisation and over the last couple of decades the rate of growth in international trade has been an average of three times higher than the rate of global economic growth. The strongest growth in exports has traditionally been experienced in manufactured goods and capital equipment. In recent decades the fastest growth has been shown by the services sector (education, tourism and management services, for example).

**7. Explain the key characteristics of transnational corporations. What are some of the criticisms of TNCs?**

TNCs have the following characteristics – they are managed, controlled and owned in at least two countries, and they must produce their goods in more than one country by establishing subsidiaries. TNCs have received a great deal of criticism for exploiting unskilled workers in developing nations, damaging the environment and manipulating their business operations to avoid taxation. They also seem to get around trade barriers through takeovers and mergers.

**8. Discuss ways in which the Internet could be used effectively by the following global businesses:**

- a pharmaceutical manufacturer based in Italy
- a coffee producer based in Paraguay
- a music company based in South Africa.

A pharmaceutical manufacturer based in Italy could use the Internet to advertise its products worldwide which would allow them to achieve sales from around the world. They could also facilitate payments over the Internet, as well as locate suppliers and access technologies suitable for manufacturing.

A coffee producer in Paraguay could use the Internet to advertise its products worldwide and service an online store (website). This would allow them to achieve sales from around the world. They could also facilitate payments over the Internet. A coffee producer could use the Internet to access information about the productive capacities of different geographical regions and competitors.

A music company based in South Africa could use the Internet to advertise and distribute its products worldwide, and this would allow them to achieve sales from around the world. As well as facilitating payments over the Internet, the music company could use it to efficiently transfer and transform music across borders. However, a disadvantage of the internet is the proliferation of piracy and the easy breach of intellectual property laws.

**9. Imagine you are a member of the government in a small Latin American country that is relatively unaffected by global forces. What policies might you propose to increase your country's engagement with the global economy?**

Some policies which would increase the country's engagement with the global economy include floating the national currency on foreign exchange markets, reducing barriers to trade (such as tariffs and subsidies), relaxing many of the restrictions on the movement of international finance, investment and TNCs, and a commitment to following all laws, including intellectual property laws.

**10. Only 4% of Australian businesses export their goods and services overseas.**

**Explain possible reasons for the low proportion of exporting businesses in Australia. How might this be improved?**

Possible reasons include: it can be costly for a business to set up operations in such a way as to compete effectively in global markets, i.e. being price competitive with goods and services; it can be a complex process; the risks may be high as there is uncertainty in global markets; the cultural gap between Australian business and offshore markets may be vast, and; a business may not have the capacity to observe niche areas in the market.