Chapter 8

Chapter 8 notes: Chapter 8_What does it mean to live in a globalised world.pdf

What is globalisation?

- Connections between different countries made possible through technology
  - Economic connections [Buying products from other countries]
  - Cultural connections [Communicating / friendships across different countries]
- Example: Apple Inc.
  - Designed in the US, different parts procured from all over the world are assembled in China
  - If iPhones don't sell well,
    Sales and profit of apple inc will drop
    Workers who extract raw materials that are used to produce components of iPhones will lose their jobs
    Retail shops will lose a huge source of revenue
  - Apple depends on other countries for cheap labour and manufacturing costs + selling
  - Other countries depend on apple for income and jobs
  - Fulfills the concept of interdependence
- Example: Starbucks
  - Starbucks supply chain connects producers and consumers around the world
  - Brings together experts and local farmers to transfer knowledge
  - Brings new technology (transport and to countries along its supply chain)
  - Connects consumers around the world through common cafe experiences
- Globalisation is the connection of different parts of the world that leads to expansion of international cultural and economic activities
  - Interdependence on other countries as well

Multinational Corporations [e.g. starbucks, mcdonalds, google, meta ai]

- Large companies that operate in various countries
- May have subsidiaries(parent and sub company relationship) or acquire other companies
- They drive globalisation through supply chains that are global in scope
  - Supply chain is a network of individuals and companies who are involved in creating a product and delivering it to the customer
- The global span of MNCs' operations results in the movement of people, goods and services across the globe.
- MNCs may choose to operate in different countries due to advantages such as a more affordable supply of raw materials or labour and the right skills at a lower cost.

- When MNCs set up subsidiaries in other countries, they increase the interconnections between people, activities and goods throughout the world. At the same time, they facilitate the exchange of ideas between countries.

Relationship between Small Medium Enterprises (SME) and MNCs

- Example:
    - Google taught the Fotohub and upskilled their digital skills with advice and help to better manage their site and reach a wider audience through advertisements, improving their online ordering process and reviews
    - Impact: 94% increase in website foot traffic and 40% in orders
    - Connected through Enterprise SG

<u>Do you think technological advancements or growth of MNCs play a more significant role in driving globalisation?</u>

- Actually, they reinforce each other

Technological Advancements	Growth of MNCs
• Developments in modes of land, sea and air transportation enable MNCs to move people, goods and services around the world in larger volumes quickly at lower costs • Developments in digital technology have led to more efficient and reliable long-distance communication across borders and time zones, facilitating the business activities of MNCs	• The need of MNCs to move their goods efficiently provides incentive for developments in transportation. Countries also continually develop and improve their transport infrastructure and services to attract MNCs • The need for reliable communication tools to coordinate MNCs' business activities across the globe encourages developments in digital technology

Chapter 9

Chapter 9 notes: C9 Economic impact of Globalisation.pdf

How can we respond to the Economic impacts of Globalisation?

The cartoon illustrates the unequal impact of globalization on the rich and poor. It depicts a large wave labeled "globalisation" approaching two groups: the wealthy, who are safely in a sturdy boat, and the poor, who are struggling in the water without protection.

Globalisation benefits the rich: The wealthy are shielded from its negative effects, likely due to access to resources, political influence, and economic stability.

Globalisation harms the poor: The underprivileged are vulnerable, as they lack the means to navigate the challenges globalisation brings, such as job displacement, economic instability, or environmental degradation.

Widening inequality: The cartoon critiques how globalization, instead of uplifting everyone, often deepens the gap between rich and poor.

Overall, it suggests that globalization is not inherently bad, but its benefits are unequally distributed, favoring the wealthy while leaving the poor to struggle.

What is the global economy?

- Refers to the integration of economies around the world into one system, making the economies interconnected and interdependent
- Example:
    1. International Trade
        - ➔ Countries participate in the global economy mainly through international trade, where they buy and sell goods and services from each other
        - ➔ International trade occurs because countries may need or want goods and services that:
            - They are unable to produce themselves

          OR
            - Will be cheaper/of better quality when produced by other countries
        - ➔ International trade makes countries interdependent on one another.
        - ➔ However, not all countries participate in international trade to the same degree since some may be less dependent on international trade than others
    2. International Investment

    - ➔ Countries also participate in the global economy by investing in one another
    - ➔ Investments that a country makes in another country or receives from another country are called foreign investment
  3. Foreign Direct Investment
    - ➔ Businesses from one country can set up operations in another country, or invest in businesses of another country for typically, a long period of time
    - ➔ FDIs arise because businesses see opportunities to cut costs, increase profits or expand their market by setting up operations in another country.
    - ➔ Benefits of FDIs:
      - When a country receives FDIs, it often results in an inflow of foreign equipment, talent and expertise.
      - FDIs help to increase the amount of goods and services produced locally
        and/or
      - promote the transfer of skills and expertise to local businesses and workers and create jobs with higher wages.
- Economic competitiveness:
  - ➔ Through international trade and investment, a country's economy becomes tied to other countries' economies and integrated into the global economy.
  - ➔ Countries may try to improve their economic competitiveness to promote international trade and investment with other countries.
  - ➔ This refers to the factors that determine the level of productivity of a country. The more competitive the economy is, the more attractive the country is to foreign investors.

<u>What are the economic impacts of globalisation?</u>

1. On countries [economic growth vs economic vulnerability]
2. On individuals [employment opportunities vs challenges]

Economic impacts of globalisation on countries:

A. Economic growth
  - Increase in a country's production of goods and services
  - Measured through a country's GDP over a period of time
  - Countries can also experience economic growth when foreign investments are received
  - Foreign capital (money) and technology can be used to build production facilities and increase the productivity of local businesses and workers

Case study of Singapore's economic growth since 1965:

Year	Situation	Response
1965	High unemployment rates after independence	Attract foreign investments to set up labour-intensive industries here e.g. garment manufacturing & shipbuilding
1970s	Higher wages led to higher labour costs. Singapore became less competitive in labour-intensive industries	Attract new foreign investments in higher-value industries e.g. petrochemicals & engineering. Focus on upskilling workforce
1980s	A recession in 1985 led Singapore to review its economic strategy to sustain growth	Diversify the economy by developing modern service sectors e.g. finance, info-comm and tourism. Active efforts to attract MNCs to set up operations in SG
2010s	Rapid advancements in technology and the rise of Asian economies pose both challenges & opportunities	Continue to attract FDIs and position SG as a gateway to Asia. SG also invests overseas in developing countries in Asia, to tap on their growing markets

- With limited natural resources, Singapore is highly dependent on the global economy for goods and services. At the same time, it offers the world goods and services that it is good at producing.
- Given its small domestic market, Singapore encourages foreign investments and invests in other countries to remain competitive in the global economy.
- The trading of goods and services, and foreign investments have sustained Singapore's economic growth.

B. Economic vulnerability
    - Globalisation can also make countries economically vulnerable as what happens in one country can affect other countries
      Example: E.g., during the Covid-19 pandemic, China's border controls led to the fall in tourists visiting Singapore. Singapore's economy was impacted by the loss of tourist spending on attractions, food & accommodations

Case study of economic vulnerability: Russia-Ukraine War: Discussion Padlet

- The Russia-Ukraine crisis broke out on 24 February 2022.
- Russia and Ukraine are major exporters of some of the world's food products, such as wheat, corn and sunflower oil.

- Additionally, Ukraine is one of the world's biggest exporters of neon and noble gases, which are core components of computer chips. Russia is a major oil and natural gas producer and exporter.
- As a result of the Russia-Ukraine crisis, the flow of goods across the world was disrupted.
- Many countries imposed sanctions on Russia in response to their invasion. This means they are restricting trade, capital flows and travel with Russia.
- Food production in Ukraine was also disrupted as Ukrainians fled the country and farmlands were destroyed.
- However, the impact of the Russia-Ukraine crisis is not equally felt across countries. Some countries have been able to tap into the size of their domestic market and capabilities to ensure self-reliance while others may take advantage of new growth opportunities in the global economy due to the crisis.
- Countries that rely more heavily on global trade will be more vulnerable to developments and happenings elsewhere in the world

Economic impacts of globalisation on individuals:

A. Employment opportunities
   - In general, when there is economic growth in a country, more economic opportunities such as employment become available
   - However, and economic decline could result in job losses and decrease in earnings of individuals
   - Economic opportunities:
     1. Tapping on a global market
        ➔ Thanks to globalisation, businesses can expand overseas and reach a larger market
        ➔ This results in higher demand for goods and services from the origin country
        ➔ Leading to creation of more jobs, providing a livelihood for the people in the country
     2. Tapping on MNCs and FDIs
        ➔ MNCs bring in advanced technology which can help local companies grow in expertise and expand their business
        ➔ They can also train locals to use more advanced technology and techniques to help them qualify for more high skill and high paying jobs
     3. Finding jobs overseas
        ➔ With advancements in digital technology and transportation, people have increasing mobility

        - ➔ Individuals may find jobs overseas that better match their skills and job aspirations
        - ➔ In 2021, close to 180,000 singaporeans are living abroad

B. Employment challenges
    1. MNCs relocating their operations
        - ➔ MNCs may relocate their operations to other countries to save costs
        - ➔ Workers may thus lose their jobs
    2. Automation replacing workers
        - ➔ Advancements in technology may lead to jobs being automated or performed by machines
        - ➔ Individuals may lose their jobs when their work is replaced by machinery
    3. Competition from foreign labour
        - ➔ With greater movement of labour worldwide, local workers may face greater competition from the foreign labour in the job market
        - ➔ Locals may find it harder to secure a job and struggle to make a living

<u>How can we respond to the economic impacts of globalisation?</u>

1. By countries [government support and initiatives]
2. By individuals [acquisition of knowledge and skills]

Government support and initiatives

A. Economic cooperation with other countries
    - Countries can cooperate by pursuing policies that promote free trade
    - Signing Free Trade Agreements (FTA), which are treaties between two or more economies to make trade and investment between them easier
    - FTAs typically remove or reduce tariffs[import/export taxes] between countries to allow goods be traded more freely and at lower costs
    - FTAs can be bilateral or multilateral
    - Singapore's bilateral partners include China, Japan, Korea and USA
    - Singapore's multilateral partners include the European Union, ASEAN, ASEAN-Australia-New Zealand, ASEAN-India and ASEAN-China

B. Attracting and making foreign investments
    - In Singapore, the Monetary Authority of Singapore (MAS) and Government of Singapore Investment Corporation (GIC) manage and invest Singapore's national reserves which are worth hundreds of billions of dollars
    - The Economic Development Board (EDB) proactively attracts businesses to Singapore through:

        - Tax incentives for key industries that drive growth in SG
        - Providing support for companies to set up in Singapore
        - Positioning Singapore as a good place to do business
    - Enterprise Singapore on the other hand works with Singapore businesses to help them expand internationally by:
        - Building their capabilities and innovate better products and services
        - Tap on its networks to help companies get to know markets and the business environment

C. Providing financial support and developing local expertise
    - Financial support is a more targeted approach taken by the government
    - This can help to cushion the negative economic impacts on various sectors impacted by global events in the short term
    - Government agencies can also provide resources and advice to help businesses innovate, develop their expertise and talent and even expand abroad
    - E.g. Infocomm Media Development Authority (IMDA)'s Go Digital programme helped SMEs to seize growth opportunities in an increasingly digital global economy
        - Lilo, a local food brand, digitised their business with the help of IMDA and increase productivity when they struggle to reach customers during Covid-19
    - Providing resources and advice for businesses enable them to adapt or transform their operations to become more resilient to the disruptions brought about by globalisation

Acquisition of knowledge and skills

- In a world of rapid technological advancements where current jobs are evolving and new jobs are being created, we need to:
    - Be willing to learn new knowledge and skills throughout their life will help individuals remain relevant in the job market
    - Have a flexible and open mindset about trying different jobs
- Individuals can also save and invest appropriately, so they are provided for during periods of unemployment, or when transiting to new careers