Chapter 1: Globalization

The review questions can be used as a basis for seminar discussion.

Review questions: Suggested answers

1. **What is globalization?**

   This is a concept which should from the basis for a whole class discussion. A straightforward definition would be something like 'the process by which firms increasingly spread their activities across national boundaries and thereby increase the linkages between nations' or 'a process in which the physical, political, economic and cultural barriers between nations are reduced'. Students might be encouraged to think of some examples of how the term global is used, e.g. global industry, global competition, global strategy, global company and what is meant by each of these. Examples of 'global' companies might be used to explore to what extent they:

   - produce a global product/service or whether the product/service has to be adapted to local needs.
   - have global production and/or distribution networks.

2. **Where is Globalization mainly taking place? Why should that be the case?**

   This question requires the students to recognize that trade and, to an extent, investment, follows markets and much of the world's wealth is concentrated in the developed markets of Western Europe, North America, and Japan. Students may also identify certain emerging economies like: China, India, Phillipines, Indonesia, and Vietnam as increasingly important markets and production locations. Foreign direct investment also occurs in locations providing cheap resources e.g. in the past China with its massive pools of cheap labour was attractive to foreign investors, or particular natural resources such as oil and other minerals.

3. **Identify the main:**
   - **indicators of globalization;**
   - **drivers of globalization;**
   - **facilitators of globalization;**
   - **barriers to globalization.**

   Main indicators: changes in foreign trade, investment, and migration—students could be encouraged to supplement the data in the book with up-to-date statistics and be asked to comment on the trends. The discussion should naturally lead to a consideration of the drivers/ facilitators. As in question 1, students might be encouraged to use specific examples of companies and the factors driving them to expand overseas and what facilitated the process.

Drivers:

- Global Competition
- Market Factors
    - Growth Opportunities
    - Convergence of Customer Needs
    - Global Customers
- Cost and Supply Factors Economies of Scale
    - Differing Country Costs
    - Access to Natural Resources
- Globalization of Competitors

Facilitators:

- reduction of barriers to movement of goods, services, capital, people
- improvements in transport
- improvements in communications

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Barriers: Students are likely to address the more widely recognized barriers hindering the cross-border movements of goods, services, capital, and people. These include tariffs, import quotas and immigration controls. With reference to tariffs, students could reference president Trump's 'America First' policy with his imposition of punitive tariffs on imports from China, the EU, Mexico, and Canada their responses, and their effects on trade. The discussion hopefully will broaden out to cover factors such as subsidies and technical barriers and physical barriers such as poor infrastructure. The better students might wish to take the discussion further by addressing sociocultural factors such as differences in tastes, religion, or in levels of education. They may also recognize that countries attempt to keep down the value of their currencies on foreign exchange markets to help domestic firms compete in foreign markers and against imports. Some commentators see quantitative easing—the creation of money by central banks—as a way of lowering the value of the currency or preventing it from rising.