Why are China & India increasingly ‘switched on’ to globalisation?

- Some countries have become increasingly ‘switched on’ to globalisation. (They have been increasingly integrated into the global economy)
- Other countries have become increasingly bypassed by globalisation and remain relatively ‘switched-off’ from globalisation.
- **Why** is this?

Top 10 wealthiest countries (GDP)

	Gross domestic product 2012, PPP		
	Ranking	Economy	(millions of international dollars)
USA	1	United States	15,684,800
CHN	2	China	12,470,982
IND	3	India	4,793,414
JPN	4	Japan	4,487,301
RUS	5	Russian Federation	3,373,166
DEU	6	Germany	3,349,405
FRA	7	France	2,371,919
BRA	8	Brazil	2,365,779
GBR	9	United Kingdom	2,333,170
MEX	10	Mexico	2,021,909

Why is China a 'winner' of globalisation?

Government backing Many Chinese companies TNCs would do business with are part-owned or backed by the state. This reduces risk of losses for TNCs.

Politically stable The Communist party has been in power since 1949. Stability reduces risk for TNCs.

Emerging market As wealth trickles-down into Chinese population via the multiplier effect there is a huge potential market to sell goods.

Good infrastructure Chinese government will build large industrial estates with mega-buildings (25km^2), roads, reliable water and electricity supply and a management company which will find TNCs migrant employees bus them in

Positive image China used the 2008 Olympics to reimage itself as a forward looking, powerful and wealthy country. This was very successful despite criticism about Tibet.

Stable currency The exchange rate of the Yuan is pegged to US$ and backed by the Chinese government. Stable exchange rates reduce risk of losses.

Low Risk & High returns

Tax incentives The Chinese government has set up SEZs (Special Economic Zones) where businesses can import raw materials, process, manufacture & re-export them paying reduced tariffs or duties (taxes). This cuts costs and maximises profits. SEZs have economic laws which are more liberal and open than in the mainland.

Cheap skilled labour Labour is much cheaper in China than in the EU. This reduces costs and maximises profits. The increase in highly skilled workers is driving up wages (wage inflation). Prolonged spending on health & education provided a healthy, literate and skilled workforce.

Cheap freight In the early 2000s shipping fees (freight duty and fuel) were low. However there is now a shortage of shipping slots driving up the price. Companies with larger volumes get priority bookings. Relatively low prices still enable TNCs to outsource manufacturing to far off places and still make money.

Special Economic Zones (SEZs)

The Chinese government has set up SEZs (Special Economic Zones) where businesses can import raw materials, process, manufacture & re-export them paying reduced tariffs or duties (taxes). This cuts costs and maximises profits. SEZs have economic laws which are more liberal and open than in the mainland. It is much easier for TNCs to operate in SEZs.

Source: http://www.qdepz.com/en/index.htm

Why is India a ‘winner’ of globalisation?

Government backing The Indian government has opened up India to TNCs bringing in valuable FDI.

English speaking India boasts 2 million English speaking graduates annually. Broadband and VOIP technology enables outsourcing of tertiary services e.g. call centres.

High Internet Bandwidth This has enabled outsourcing of many computer- and telecommunications-based activities.

Improving infrastructure India’s infrastructure is improving.

Politically stable Political stability reduces risk for TNCs.

Positive image India has a good image owing to Bollywood, Indian Premier League cricket and films like Slumdog Millionaire.

Low Risk & High returns

Technical skills India has a vast pool of highly qualified quaternary-sector labour, especially in IT, medicine, biotech.

Emerging market As wealth trickles-down into the vast Indian population via the multiplier effect there is a huge potential market to sell goods.

Stable currency Stable exchange rates reduce risk of losses for TNCs

High tech India is a centre of hi-tech innovation. Hi-tech companies have taken over parts of Bangalore. Indian companies are now producing state-of-the-art equipment at 20% of European prices

Entrepreneurship India is home to 23 billionnaires e.g. Lakshi Mittal (4th wealthiest man)! Indian entrepreneurs are excellent at growing thriving businesses.

Why are large parts of Africa bypassed by globalisation?

Corruption Corruption pervades many African societies. Politicians and police can abuse authority by being corrupt. This increases risk of losses and makes it time consuming and frustrating for TNCs to operate.

Little government support Due to a lack of volume of business it is harder for TNCs to gain incentives e.g. planning permission for the best sites, tax incentives etc.

Debt Many Sub-Saharan countries are weighed down by enormous debts taken on to fund infrastructure projects in the 1970s. They could not repay these loans so the IMF has made the loans more affordable (Structural Adjustment Packages). In return many LDCs have had to cut their government spending. This has many effects.

Politically unstable Many countries have been marred by civil wars and insurrection. A supportive government can suddenly be replaced by a hostile one. This can increase risk of losses for TNCs.

Negative image Many LDC African countries suffer from a poor image. The 2010 World Cup in South Africa could improve this.

High Risk & low returns

Unskilled labour Although labour is cheap, governments' debts and reduced spending on education mean that populations are technically unskilled. (Few universities).

Weak market Although some TNCs do operate in Africa e.g. flower exports from Kenya, the wages are not high enough to kick start the multiplier effect. This results in a weak market – TNCs cannot sell their goods.

Unstable currencies A rapidly changing exchange rate would be financial suicide for TNCs. This brings a high risk of losses.

Crime Kidnappings of foreign workers (and physical threats) are prevalent in many African countries. This is high risk to TNC staff.

Poor infrastructure International debts mean African governments have no money to invest in a modern world-class infrastructure. Few regular flights and shipping operators. They cannot compete with China, India and other NICs.

Winners and Losers within BRICs

- Not everyone living in the BRICs benefits from globalisation.
- In both China and India there are winners and losers of globalisation.
- Research who the winners/losers are and why they are winners/losers (clue – urban/rural divide, air & water pollution, urban elites Vs slum dwellers)