



Chapter  
**12**

# Economic Globalization Expands

## Chapter Focus

How would you feel if, the next time you bought something at the store, you were to pay for it with an “amero” instead of a loonie or a toonie? As economic globalization spreads, some people say that Canada, the United States, and Mexico should be moving toward a common North American currency. After all, they reason, countries in the European Union (EU) now trade in a common currency called the **euro**.

Many North Americans feel that, if they gave up their own countries’ currencies, they would lose part of their identities. Critics of economic globalization argue that our countries are already connected enough. They say that trade agreements guarantee the free flow of goods. Therefore, we do not need a common currency to ensure economic co-operation. However, supporters of a common currency argue that Canada has a strong national identity, which is not tied to our currency. They believe that getting rid of the costs and risks of exchanging currencies would encourage trade between Canada, the United States, and Mexico.

The idea of a common currency came out of the creation of trading blocs, which you first explored in Chapter 11. These are just two of the many developments in the ongoing expansion of economic globalization since the Second World War.

## Chapter Issue

*To what extent have developments since the Second World War influenced the expansion of economic globalization?* You will have a chance to explore this Chapter Issue by considering three examples of developments since the Second World War—the creation of international trade agreements, developments in technologies, and the growth of transnational corporations (TNCs)—and how they have contributed to the expansion of economic globalization. Exploring this Chapter Issue will help you to develop a better understanding of the Main Issue for Part 3: *Does globalization contribute to sustainable prosperity for all people?*

◀ **Figure 12-1** One suggested name for a new North American currency is the “amero.” For many Canadians, this sounds too American. Do you like the proposed name or do you prefer another name? How would a common currency contribute to the expansion of economic globalization?

- EU** European Union
- euro** the name of the single European currency that went into circulation on January 1, 2002; the symbol of the euro is €
- TNC** transnational corporation

### Key Terms

- EU
- euro
- TNC
- GDP per capita
- subsidy
- APEC
- containerization
- subsidiary
- ICC



## Communicate Effectively



### SKILL PATH

Communication skills help you to understand information and ideas clearly and to express them purposefully. Effective communication is important when you are working co-operatively in teams to build consensus (agreement) and achieve common goals. It allows you to share ideas and opinions, get information from others, provide feedback, and form strong relationships. Throughout this chapter, you will have opportunities to practise communication skills as you respond to the Chapter Issue: **To what extent have developments since the Second World War influenced the expansion of economic globalization?**

**Your Task:** Imagine you work for a public relations firm. Public relations firms are hired to “sell” particular ideas to the public. Your firm has been approached by the government to promote the idea of a common North American currency. Your task is to research the issue and create a promotional campaign aimed at Canadians. The campaign may take the form of a brochure, a video, a PowerPoint presentation, or a blog.

Keep in mind that favouring a common North American currency represents one perspective and that there are other perspectives on this matter. As part of your task, you must defend this perspective whether you agree with it or not. Before you begin, you need to research the history of developments since the Second World War that have led to this idea. Then you have to understand the arguments for and against a common North American currency.

### Step 1

#### Organize a Team and Share Ideas

- Share your ideas before you start a new project in order to
  - communicate the team’s goals and objectives
  - state an opinion or a position
  - make information available
  - give instructions or directions
- To be sure your messages are clear, speak only for yourself by using *I*, *me*, and *my*.

### Step 2

#### Gather Good Information

- Ensure that you are getting good information in order to
  - find out facts and details
  - try to understand others’ points of view
  - help solve problems and make decisions

#### Research Tip

As a starting point for your research, visit the website of the Centre for Research and Information on Canada. Follow the link on the *Living in a Globalizing World* website.

Web Link

#### FastFacts

According to the Centre for Research and Information on Canada, “Two-thirds of US residents do not want Canada to adopt the US dollar as its currency, and an overwhelming 84 per cent reject the idea of the US, Canada, and Mexico creating a common North American currency.” In addition to the loss of identity, what might be some other reasons that people oppose a common currency?

### Step 3

#### Listen Actively

- Practise active listening by
  - preparing to listen by focusing on the speaker
  - controlling or eliminating distractions to focus on the message
  - making appropriate eye contact to show interest
  - checking the way you listen

### Step 4

#### Ask Good Questions

- Ask various types of questions such as
  - open-ended questions to expand the discussion
  - closed-ended questions to get specific answers, one-word responses, or yes or no answers
  - direct questions to limit answers to brief factual statements
  - probing questions to get additional information
  - hypothetical questions to present a speculative situation that encourages listeners to respond creatively
- By asking good questions, you can focus your discussions.

### Step 5

#### Provide Effective Feedback

- Give feedback by
  - making positive, constructive statements
  - describing your understandings and reactions
  - suggesting possible alternatives or improvements
  - expressing your support and respect for others' ideas

### Step 6

#### Use Appropriate Body Language

- Be aware of how and what your body is communicating:
  - your face and your expressions can indicate interest and attention
  - your posture and gestures can be open or closed to communication
  - frequent eye contact invites communication in some, but not all, cultures
  - comfortable space between you and other speakers encourages participation and discourages interruptions



**Figure 12-2** Body language is non-verbal communication that sends strong positive or negative signals. What are three ways you could use body language to show interest in and support for another person's ideas?

### Step 7

#### Reflect and Evaluate

- Once you have completed your product, reflect on your team's work to evaluate what worked well and what you would change next time you work in a team. (Refer to the Skill Path in Chapter 4, pages 55–56, for hints on working well as a team.)
- What obstacles to effective communication did you confront?
- Recognize and acknowledge each team member's contribution. Recognition and genuine appreciation are great motivators for future team projects.

# International Trade Agreements

**Question for Inquiry**

- **How do international agreements and organizations influence economic globalization?**

Create a T-chart. At the top of each column, write the title of one of the articles. Identify the main point of each article and determine whether it is for or against economic globalization. State your initial reaction from the point of view of (a) a consumer (b) a Canadian, and (c) a future employee.

## Area dairy farmers fear changes to system due to world trade talks

By Ron Walter

MOOSE JAW, Saskatchewan—Dairy producers fear current World Trade Organization negotiations will eliminate a Canadian system that benefits producers and consumers with fair prices. “I think we’re losing ground,” says David Hofer, dairy manager at the Baildon Hutterite Colony, about the Canadian supply management system for dairy and poultry industries.

*Moose Jaw Times Herald, November 19, 2005*

## Globalization holding down Canadian union wages, Conference Board says

OTTAWA (CP)—Wage increases for unionized workers in Canada will barely keep up with inflation this year, held down by employers trying to compete with low-cost global corporations, the Conference Board of Canada said Wednesday.

*Trail Times (Trail, BC), January 27, 2006*

Both of the above articles describe concerns about the expansion of economic globalization. They show that Canadians are directly affected by freer trade throughout the world.

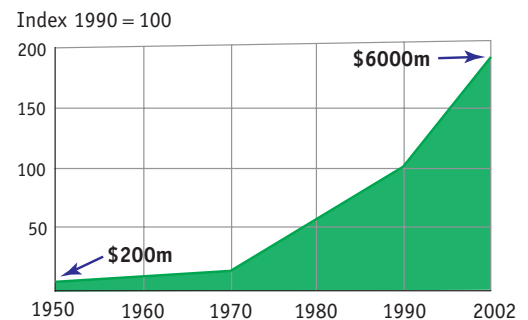
In Chapter 11, you explored the foundations of economic globalization since the Second World War—for example, the Bretton Woods Agreement, the end of the Cold War, and advancements in technology. You also learned that global trade has grown rapidly since the end of the Second World War. Figure 12-3 shows the gradual increase in global trade from 1950 to 1970, followed by rapid growth from 1990 to 2002. Part of the reason for the enormous growth since 1990 was the end of the Cold War. The free market economies of the Western world expanded rapidly because former Soviet bloc nations in Eastern Europe started to conduct business with Western countries. Transnationals (corporations that operate in two or more countries) such as McDonald’s and Wal-Mart rushed into these countries to establish themselves in the new markets. By 2000, even China became a partner in the process. This was significant because China had previously resisted free trade with the West.

Economic globalization continues to expand today. One factor related to this is the development of international trade agreements and

### FastFacts

Over 86 per cent of Canada’s manufactured goods are exported to the United States. Given this fact, why is it important for Canada to maintain friendly relations with the United States?

**Growth of Overall World Trade 1950–2002**



**Figure 12-3** What was the total increase in trade from 1950 to 2002 (in dollars)? What does it suggest about economic globalization during that period?

Source: BBC News, “Trade and the Poor” in *The Battle Over Trade*, July 26, 2006, [http://news.bbc.co.uk/1/hi/in\\_depth/business/2004/world\\_trade/default.stm#](http://news.bbc.co.uk/1/hi/in_depth/business/2004/world_trade/default.stm#)

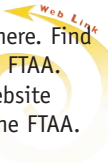


## READING GUIDE

An acronym is a word formed from the initial letters in a series of words. For example, NAFTA is an acronym for North American Free Trade Agreement. Make flash cards of acronyms to test your knowledge of the full names.



**Figure 12-4** The western hemisphere. Find out about the current status of the FTAA. The *Living in a Globalizing World* website provides a link to information on the FTAA.



### Banana Republics

The term *banana republic* was coined to describe how large American corporations controlled small Latin American countries. It was first used to describe Honduras, in Central America, where the United Fruit and Standard Fruit companies controlled the country's key banana export industry and railways. In 1910, the United Fruit Company hired an armed gang from New Orleans to install a new Honduran president because the existing one refused to grant the company tax breaks. The new president cancelled the company's taxes for the next 25 years.

How does this information help you to consider the Main Issue for Part 3: **Does globalization contribute to sustainable prosperity for all people?**

organizations. As you find out more about this development and its impact on people's lives, think about the Chapter Issue: *To what extent have developments since the Second World War influenced the expansion of economic globalization?*

## Free Trade Area of the Americas

As you saw in Chapter 11, the strong economic relationship between Canada, the United States, and Mexico resulted in the North American Free Trade Agreement in 1994. With NAFTA completed, the United States launched a major effort to complete a free trade agreement between the countries of the western hemisphere. The Free Trade Area of the Americas (FTAA) is a proposed agreement to eliminate or reduce trade barriers in the western hemisphere. It is modelled after NAFTA. (You first read about the FTAA on page 190.)

Discussions on the agreement have stalled mainly because the more developed countries, such as Canada and the United States, want increased protection for intellectual property rights such as books, CDs, films, and computer programs. The less developed countries, led by Brazil, want the more developed countries to end agricultural subsidies and open their markets to trade in agricultural goods. You will learn more about agricultural subsidies in the Global Connections feature on page 203.

### Opposition to the FTAA

Discussions on the FTAA began in 1994 at the Miami Summit of the Americas, in Florida. However, the FTAA was not brought to public attention until the Québec City Summit in 2001. That summit was the target of huge anti-globalization protests. The 2005 summit meeting in Mar del Plata, Argentina, was met by similar protests.

Many Latin American countries believe that free trade for the Americas may be just another step by the United States to maintain its political and economic control of the region. American TNCs in Latin America have traditionally been more concerned about making profits than helping their host countries develop and prosper.

The United States also faces some opposition to the FTAA at home from people who fear the possible loss of jobs to Latin American countries. They point out that jobs were lost after NAFTA was signed in 1994. Many American companies opened maquiladora plants in Mexico. *Maquiladora* refers to a foreign-owned factory in Mexico, usually near the US border. The factory imports materials from the United States, assembles them into finished products, and ships them back to the United States.

Because of this lack of enthusiasm for the FTAA, the United States is signing separate free trade agreements with Chile and five Central American countries—Honduras, Nicaragua, El Salvador, Panama, and Costa Rica.

**Figure 12-5** Steering wheel manufacturing in a maquiladora plant that makes parts for General Motors cars. Because Mexico's labour laws are less strict than those in Canada and the United States, there are concerns about low wages, working conditions, and environmental practices in maquiladoras. Speculate on how the lives of workers in a maquiladora plant compare with those of workers at a General Motors plant in Canada.



## Voices

### Indigenous Peoples and the FTAA

Many Indigenous organizations in South America are working toward developing alternatives to the FTAA, as outlined in this excerpt.

*"... We don't have food to feed our children. Our markets are flooded with cheap imports. Imported milk is dumped in Ecuador for half of what it costs to produce it.... We have no way to live, and the FTAA will only make it worse.... We are hungry and tired and things have to change." —Leonidas Iza, President of the Confederation of Indigenous Nationalities of Ecuador...*

*Indigenous people across South America are mobilizing to defend their culture and way of life from the most serious threat to their survival of the new millennium: free trade.... Indigenous people ... are the most impoverished and vulnerable people in the region, and face daily obstacles to true economic opportunity and social advancement, due to racial and other forms of discrimination. In the face of centuries of colonialism, oppression, and poverty, Indigenous people are energetic defenders of their cultures and world views, which are based on very different principles than those promoted by the modern free trade economic system....*

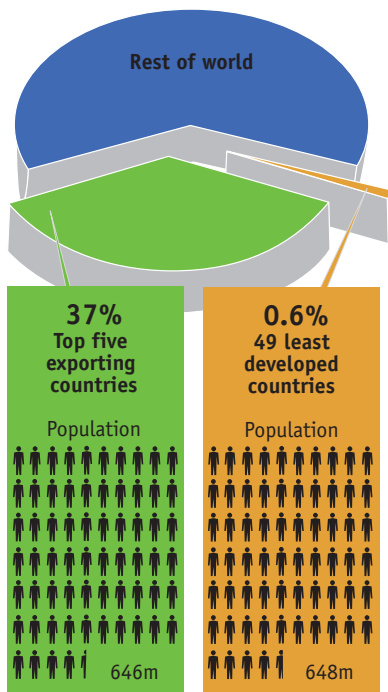
*... Hundreds of Indigenous and citizen organizations gathered in Quito, Ecuador, the site of an ... FTAA [meeting] in ... October 2002. The Hemispheric Social Alliance, a network of organizations ... opposing the FTAA and generating alternative development proposals, held a series of parallel conferences, workshops and discussion panels. ... A statement from*

*the parallel conference said, "The full force of our own forms of life and ways of thinking demonstrate that another America is indeed possible." The people of South America ... must communicate their vision of another America, in which their culture and traditional systems can flourish. ... They are developing a variety of alternatives to the FTAA, which put people at the center of trade, and make trade work for the poor, protect the environment, and ensure a healthy future for all people in the hemisphere.*

Source: Thea Gelbspan, "Another America Is Possible," Oxfam America, 2002, [http://www.oxfamamerica.org/newsandpublications/news\\_updates/archive2002/art3812.html](http://www.oxfamamerica.org/newsandpublications/news_updates/archive2002/art3812.html).

- 1 The oral histories of Indigenous peoples reflect a world view that shows a strong bond between their economies and nature. Many Indigenous societies continue to practise a lifestyle of sustainable development—they take from the environment only what they need to survive. How might this world view influence the ideas that the Hemispheric Social Alliance is developing?
- 2 **Does globalization contribute to sustainable prosperity for all people?** Draw conclusions from the information in this excerpt, and then explain how you think Indigenous people in South America would respond to this question.

OF ALL WORLD TRADE IN 2002 ...



Source: BBC News, "Trade and the Poor" in *The Battle Over Trade*, July 26, 2006, [http://news.bbc.co.uk/1/hi/in\\_depth/business/2004/world\\_trade/default.stm#](http://news.bbc.co.uk/1/hi/in_depth/business/2004/world_trade/default.stm#).

**Figure 12-6** This circle graph compares the amount of trade in 2002 in 49 of the world's least developed countries with that in the top 5 exporting countries. Top exporting countries such as the United States, Japan, and France, trade 100 times more than least developed countries such as Ethiopia, Cambodia, and Bangladesh. How might increased trade help least developed countries? What might be some negative impacts of increased trade for these countries?

**GDP per capita** GDP divided by population

## La Francophonie

An international organization that has contributed to the expansion of economic globalization is La Francophonie. In Chapters 4 and 5, you learned that one of its roles is to protect and promote the culture of French-speaking peoples throughout the world. This organization also plays an important role in furthering the economic development of its member countries.

Canada is one of the original members of La Francophonie. As one of its wealthiest members, Canada has a leadership role within the organization. The Canadian government would especially like to speed up the economic integration of the least developed Francophone countries into the international trading system. In this way, it hopes to help these countries gain some of the benefits of becoming part of the global economic system. Our government would also like to strengthen the social and economic integration of youths in least developed Francophone countries by introducing them to new technologies.

## Do Trade Agreements Benefit All People?

You have just seen that a number of international trade agreements have resulted in the expansion of trade. Is this a good thing? Do all parties to these agreements benefit in the same way? The answers to these questions depend on whether you are a supporter of freer trade or of protectionism (the economic policy of discouraging trade between countries). They also depend on whether you live in a more or less developed country.

Trade certainly is very important. The export of manufactured products provides good jobs and incomes. As well, there is a close relationship between economic growth and trade. However, trade does not affect countries equally. For example, from 1980 to 2000, trade tripled in North America from \$300 billion to \$1 trillion. The gross domestic product (GDP) almost doubled from \$6000 per person in 1980 to \$10 200 in 2000. By comparison, trade in sub-Saharan African grew from only \$75 billion to \$95 billion and the GDP increased from \$450 to \$620 per person by the year 2000.

What do these statistics and Figure 12-6 indicate about **GDP per capita** trends for more and less developed countries? The basic goal for more developed countries is free access to markets for their products and services. In other words, they want to sell more manufactured goods to less developed countries. For less developed countries, the goal is also access to new markets—but mostly for non-manufactured goods such as grain and other agricultural products. These countries do not mass-produce (make in large quantities by machinery) manufactured goods, so they need to sell what they grow. This is a key issue of trade between more and less developed countries. Why would less developed countries find it difficult to purchase manufactured goods or the equipment to produce manufactured goods for more developed countries?



**Figure 12-7** Canada, United States, Mexico, Brazil, European Union

## Trade Issues between Countries: Subsidies

The tremendous growth in trade that has occurred since the 1990s has not affected more developed countries and less developed countries to the same degree. This is not surprising because the two types of countries have different needs. They also have access to different resources. As well, more developed countries and trading blocs tend to control global trade rules, so less developed countries have to follow these rules when they sell their products and natural resources.

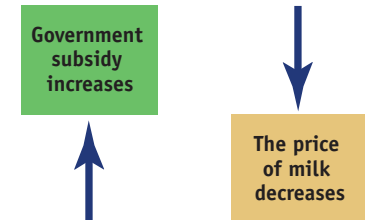
There are a number of trade issues that create conflict or disagreement between countries. One issue is subsidies. A **subsidy** is financial help given to an industry by the government. More developed countries such as Canada, the United States, and members of the European Union have set up a system of subsidies for their farmers and other food producers.

For example, in Canada, the dairy industry is guaranteed set prices for its milk and butter. That is why milk prices are about the same in all

stores. Set prices ensure that the dairy farmers of Canada have a steady income. However, subsidies prevent farmers from countries such as Mexico or Brazil from exporting cheaper dairy products to Canada. These farmers would like to have access to our market in order to sell their products. Canadian dairy farmers say that cheaper imports could put them out of business.

Some economists argue that Canadian taxpayers would actually *save* money if the government stopped paying subsidies to Canadian farmers and, instead, simply paid them a living wage to do nothing. For example, Thomas Walkom, a Canadian economist and newspaper columnist, points out that Canadian farmers received \$24.9 billion in subsidies and financial support from 1999 to 2002. During that same period, they made only \$8.8 billion in net income. Therefore, it would be cheaper for Canadians to buy all of our food from foreign sources and pay Canadian farmers to do nothing.

**subsidy** direct financial help, such as loans or lower taxes, that the government provides to an industry



- 1 If Canadian farmers were paid to do nothing, who would provide all the food we eat?
- 2 This article focuses on the effects of subsidies on markets in Canada. Think about how subsidies in Canada might affect markets in less developed countries. For example, assume that a product like corn was subsidized in Canada, and was exported for sale at a low price to a less developed country, where corn could not be subsidized. Who would buy the corn produced by local farmers? On the other hand, who would Canadian farmers sell their corn to if Canada ended subsidies and other more developed countries did not?
- 3 How do agricultural subsidies affect the lives of farmers in both less developed countries and more developed countries?





## Voices

### Supporting Canadian Farmers

Many farmers believe there are alternatives to Thomas Walkom's proposal that they be paid "to do nothing." Here is one opinion on the issue.

*... Because of foreign subsidies, rising [production] costs, the rising dollar and government inaction, our farmers are in the depths of an ... economic crisis. Many farmers are losing money on the food they produce for you and couldn't survive without off-farm income. You can help ensure a safe, secure, Canadian supply of food that allows Canadian farmers to stay in business by telling your MPs and MPPs to support the Risk Management Program. ...*

Source: Dale Ketcheson, "Let Farmers Keep Feeding Our Cities," Letter to the Editor, *The Toronto Star*, October 11, 2006, [http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article\\_Type1&c=Article&cid=1160517009480&call\\_pageid=970599119419](http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Type1&c=Article&cid=1160517009480&call_pageid=970599119419).

- 1 The Risk Management Program is a proposed form of government insurance whereby farmers would pay annual premiums and the government would make payments to them only when prices drop below a crop's cost of production.
  - a) How is this program different from a subsidy?
  - b) Do you think it is an improvement over subsidies? Explain.
  - c) Would it contribute to sustainable prosperity for all farmers? Explain.
- 2 Do you think we should support local farmers or buy cheaper imports from foreign countries? Explain.

## Explore the Issues

- 1 **Practise a New Skill.** Revisit your initial response to the newspaper articles at the beginning of this section on page 199. Do you still agree with it, or are you less certain of your point of view?
  - a) In the Skill Path for this chapter, you found out that asking good questions can provide you with more information about an issue. For each article, think of three or four questions that would help you to learn more about the issue discussed in the article. When developing your questions, consider the points of view of a consumer, a citizen, and a future employee. Write the questions in your notebook. **SKILL PATH**
  - b) Working with a partner, share your reaction to the articles and the questions you created. Ask your partner if there are other questions you have overlooked.
- 2 **Evaluate a Claim.** According to Asia-Pacific Economic Cooperation (APEC), "free and open trade and investment help economies to grow, create jobs, and provide greater opportunities for international trade and investment. In contrast, protectionism [a policy of limiting imports by imposing tariffs and quotas] keeps prices high and fosters inefficiencies in certain industries. Free and open trade helps to lower the costs of production and thus reduces the prices of goods and services—a direct benefit to all."
  - a) Do you think this claim is true? Think of practical examples, such as the price of milk (which is protected in Canada) compared with the prices of other goods such as clothing or electronics (which are not protected). Are there deep discount sales on clothing and electronics versus milk and butter?
  - b) Can you think of other examples where protectionism would be a good idea? For example, should our media industries (for example, TV, newspapers) be protected?
  - c) Write a letter to the Canadian government that outlines your agreement or disagreement with the statement made by APEC.
- 3 Create a timeline to illustrate the growth of freer trade. (Refer to the Skill Path in Chapter 3 on pages 39–40.) Explain how each historical event on your timeline demonstrates the expansion of economic globalization.

**APEC** Asia-Pacific Economic Cooperation

## Communications and Transportation Technologies

### Question for Inquiry

- How does technology influence economic globalization?

Do you think that iPods are an “invaluable literacy tool” for Afghans? Or was the distribution of these products just a way to expand the market for them? How has the use of shipping containers affected the expansion of economic globalization?

### Pink “iPods” for democracy

By Fariba Nawa

The employees of Voice for Humanity, in a fever of righteous idealism, travelled six hours on donkeys and horses through the remotest parts of the Afghanistan countryside. They were on a mission: to deliver what they thought was an invaluable literacy tool for Afghans. Pink [iPods] for women, silver for men.

*Special to CorpWatch, March 15, 2006*

### A simple metal box increases commerce

By Susan Todd

Little more than steel boxes, containers have shaped economic history for 50 years—altering everything from the fate of nations to the price of pants... Ninety per cent of the world’s goods—worth trillions of dollars—spend time in one of them. Nearly everything on the

shelves at Wal-Mart, Target or Linens ‘n Things—from Chinese-made televisions to beaded pillows stitched together in India—move from one point to another in a container.

*Star-Ledger (Newark, New Jersey), April 2, 2006*

Even 20 years ago, governments could control their countries’ news media by censoring information and by blocking outside radio and TV signals at the border. However, the Internet and cellphones went around these barriers. The Internet gave people the electronic network to tap into information sources anywhere in the world. The whole point of the Internet was to provide many sources of information and put the controls in the hands of people, not governments. The fall of Soviet communism by 1989 was, in part, a result of this open flow of information.

New communications and transportation technologies have had a huge impact on globalization. The world seems smaller because we can communicate with anyone almost anywhere in the world and we can travel or ship goods to far-off places in a short period of time. In this section, you will have opportunities to examine how these new technologies have contributed to the expansion of economic globalization. This inquiry will help you to further explore the Chapter Issue: *To what extent have developments since the Second World War influenced the expansion of economic globalization?*

## Communications Technologies

Advances in communications technologies have allowed people around the world to communicate instantly or to watch the same event at the same time. For example, a person in the Northwest Territories who wants



**Figure 12-8** Not long ago, mass communication was limited to television, radio, and film, or print media such as newspapers and magazines. Today, other communication technologies such as the Internet, cellphones, and satellite devices have become common. How have these changes in communications technologies contributed to the expansion of economic globalization?



**Figure 12-9** In 2006, the World Cup soccer tournament was held in Germany. At times, billions of people around the world were watching the same event. Major TNCs such as Coca-Cola and Nokia often promote their products at these media events. How does this type of advertising contribute to the expansion of economic globalization? How might people who cannot afford these advertised goods view these media events?

### FastFacts

Fibre optics and satellites have vastly expanded our ability to communicate. Three decades ago, the phone lines could accommodate about 80 transatlantic calls at a time; now they can handle one million. In 1980, there were 2.7 billion minutes of calls between the United States and all other countries. By 1998, the number had risen to 34.6 billion. In what way do you think these advances in telecommunications have brought us closer together?



Visit the website of *Adbusters* by following the link on the *Living in a Globalizing World* website. Find out why this organization would think that advertisements by major TNCs have a negative effect on cultures throughout the world.

to communicate right away with someone in South Africa can do so by sending an email, a fax, or a text message, or by making a phone call.

When a disaster strikes a country, people throughout the world learn about it at the same time via communications satellites. This, in turn, can have an almost immediate effect on the global economy. For instance, when the World Trade Center was attacked on September 11, 2001, stock markets around the world quickly experienced sharp declines.

Developments in communications technologies over the past 25 years have transformed the business world. For example:

- The use of ATM machines and Internet banking has significantly reduced costs for the banking industry.
- Computers allow businesses to process, share, and store huge amounts of information on a disk or a computer chip.
- Stocks, bonds, and other securities can be traded around the clock and around the world.
- The Internet, fax machines, cellphones, and satellites allow people to communicate instantly—from almost anywhere—with their employers and customers.
- When Canadians want to order certain products or get advice about a problem with an electronic device, we can phone, email, or fax a call centre that might be located in another country.

## Transportation Technologies

Improvements in transportation have made the spread of economic globalization possible and have also contributed to its expansion. Transportation makes it possible for us to buy lettuce in the middle of winter. Lettuce grown in places like Yuma, Arizona, can be picked and then transported to stores in Alberta in a few days. Clothing made in China is shipped or flown across the ocean to stores in Canada. Businesses throughout the world could not operate without efficient transportation systems.

### Containerization

As you saw in the newspaper article on page 205, the shipping container is credited with revolutionizing the international shipping industry. Containers can hold almost anything, they cut costs, and they are more reliable than previous forms of packing. As a result, container-based shipping has enormously increased the volume of international trade. For consumers, this means access to more goods at lower prices.

Goods are shipped around the world using a series of different modes of transportation: ships, trucks, and trains. Before **containerization**, every time the goods had to change transportation modes, somebody had to

physically transfer each box or barrel. This resulted in delays, frequent damage to goods, and a fair amount of theft. But when goods started to be shipped in sealed containers, the process became seamless.

A business can now simply contact an international shipping company and explain where its goods should be picked up and where they are going. The shipping company then picks up the goods and packs them in a container. They are not unpacked until they reach their final destination. The containers themselves are loaded and unloaded by cranes rather than by hand.

### **The Hidden Costs of Cheap Transportation**

Advances in transportation technologies have resulted in cheaper goods for consumers. But critics of globalization point out that there are hidden costs associated with these cheaper goods that most people are unaware of. The greatest is the cost to our environment.

When goods travel long distances to reach us, the fuel used to transport them hurts our environment—first in the refining process and then through the pollution that is created when the fuel is burned in the transportation process itself. One-fifth of global carbon emissions comes from the transportation of goods. The amount of transportation is expected to increase by 300 per cent in the next 20 years. Critics argue that we should buy products made locally to both support local industries and reduce pollution created through international transportation.

**containerization** a shipping method in which large amounts of goods are packaged into large containers for efficient transport and handling



▲ **Figure 12-10** Container facilities at the port of Vancouver. In 2006, economist Mark Levinson said that, “Low transport costs help make it economically sensible for a factory in China to produce Barbie dolls with Japanese hair, Taiwanese plastics, and American colorants, and ship them off to eager girls all over the world.”

How does this quotation show the link between improvements in transportation technologies and the expansion of economic globalization?



Across our country, there is a growing “Buy Local, Buy Fresh” movement. Activists for this movement say that we should buy locally grown produce and locally made goods for a number of reasons:

- to provide jobs in Canada—choosing Canadian products over foreign products supports Canadian workers and helps our economy
- to promote good health—locally produced food is healthier because food transported long distances loses its freshness and some of its nutrients
- to protect our environment—transporting goods long distances contributes to pollution

If you are interested in making a difference in this way, contact a “Buy Local” organization in your region for more information. Alternatively, you could ask your supermarket to offer local produce. (Sometimes the only place you can buy local produce is at a farmers’ market or a farmer’s stall.) You could also organize a public service campaign to help raise awareness of this issue.

## Explore the Issues

- 1 Be Creative.** With a partner or in a small group, brainstorm how technologies influence economic globalization. (For hints on brainstorming, refer to the Skill Path in Chapter 1, pages 7–8.) Then look for visual images that capture your ideas. Create a collage. Write this section's Question for Inquiry in the middle of a piece of Bristol board and arrange the images around the question.
- 2 Connect It.** To demonstrate that advancements in technologies since the Second World War have influenced the expansion of economic globalization, write a series of short journal entries that describe life before and after the major developments explored in this section.

## Transnational Corporations

What do these articles suggest about the ability of transnational corporations to operate in a responsible manner?

Question  
for  
Inquiry

- How do transnational corporations influence economic globalization?

### Multinational corporation gives award to Chinese AIDS activist

Beijing (AsiaNews/Agencies)—Once in a while, capitalism and human rights go hand in hand. World sportswear giant Reebok has decided to honour Li Dan, a champion who dared to speak out about China's HIV epidemic, with a prize worth US\$50 000.

*AsiaNews, March 30, 2006*

### Oil firms tasked on spill response, remediation

Multinational oil companies operating in the Niger Delta region have been urged to put in place effective and internationally acceptable spill response and remediation programmes that would combat spills and reduce health problems in their host communities.

*The Tide (Nigeria), March 30, 2006*



### READING GUIDE

As you read about TNCs in this section, consider the different understandings people may have of them.

**subsidiary** a company that is owned and controlled by a large corporation

As you found out in Chapter 1, transnational corporations are business enterprises that operate in a number of different countries. Following the Second World War, TNCs increased significantly—both in number and size. During the 1980s and 1990s, many smaller corporations became TNCs. Today, the top 200 TNCs account for about 28 per cent of global economic activity.

The headquarters of TNCs are usually located in one or more countries, while production or services are located in other countries. TNCs have come to dominate the global economy—some large TNCs are richer and more powerful than many national governments. There are more than 40 000 TNCs in the world, with some 250 000 **subsidiaries**.

Transnational corporations have contributed to the expansion of economic globalization because they produce huge amounts of goods and services and greatly influence trade and investment. As a TNC grows in size, it also grows in power and influence.

In this section, you will have a chance to further explore the Chapter Issue: *To what extent have developments since the Second World War influenced the expansion of economic globalization?* You will see that much of the debate regarding TNCs is about whether or not they can be made to use their influence to improve the working conditions and economies in the countries where they operate.

## TNCs and the Expansion of Economic Globalization

The import and export of goods and services is the simplest form of global integration of the world's economies. Not only do corporations sell their goods and services in other countries, but they also set up subsidiaries to operate in other countries. These subsidiaries produce goods and services.

Some corporations also control the sale of their goods and services by operating international retail operations. When you think of the major companies that provide your community with goods and services, you will notice that many of them are international retailers such as Wal-Mart. You may even get your first job in a service-industry company such as Blockbuster, which is owned by Viacom, a TNC.

The expansion of TNCs into new markets in many countries has resulted from changes in trade regulations in these countries. These changes have brought about freer trade. By participating in regional and global organizations, countries make agreements that encourage foreign investment and allow TNCs to operate relatively freely in the member countries.

## Understandings of Transnational Corporations

In 2002, Paul De Grauwe and Filip Camerman published an article titled "How Big Are the Big Multinational Companies?" at the Catholic University of Leuven in the Netherlands. The following information summarizes some of their findings.

It is estimated that in 2002 the combined sales of the top 200 corporations represented almost one-third of the world's economic activity. To give you an idea of how much money TNCs are worth, consider this: Altria (a tobacco company, formerly called Philip Morris) controls more money than the entire economy of New Zealand. Similarly, General Motors controls more money than Denmark, and Toyota is wealthier than Norway.

The vast majority of the world's wealthiest TNCs have their headquarters in more developed countries. Approximately 170 of the top 500 corporations have their headquarters in the United States. Because of

**Figure 12-11** An EnCana oil rig off the coast of Brazil. EnCana is Canada's largest oil and natural gas company and one of the world's largest independent oil and gas companies. EnCana is involved in operations primarily in Canada and the United States and is pursuing opportunities off the East Coast of Canada, offshore Brazil and Greenland, and in the Middle East and France. In the past, EnCana explored opportunities in Ecuador, the UK North Sea, Australia, Venezuela, and Libya. What does this information suggest about EnCana's contribution to the expansion of economic globalization? ▼





### TNCs and Less Developed Countries

As you read this feature, consider whether or not transnational corporations benefit people in less developed countries.

*We are concerned in South Africa that the major [transnational] corporations are continuously dumping their toxic chemicals with impunity [freedom from punishment] on poor communities who are living on their fenceline. We are bearing the brunt of [the damage of TNCs]... who are sending out huge profits to the Europeans and the American. ... The result of it is that a lot of us in South Durban are suffering high levels of leukemia, asthma and cancer. ... South Africa is bearing the brunt of all the medical damage and destruction caused by [TNCs] like Shell, BP, Anglo-American, [and] Bayer. ... We are hoping that the message out there is the [TNCs] must stop their double standards and regarding our lives as cheap. It's time that they started to bring the same international standards that they have in Europe to South Africa and operate under those strong conditions...*

Source: Desmond Desai, South Durban Community Environmental Alliance, South Africa, quoted in "Testimonies from the Margins," Raised Voices, <http://raisedvoices.net/desmondcorp>.

*The strengthened capacity of China's manufacturing industry is a result of economic globalization. It is also a result of the development of [TNCs]. Globalization ... enabled ... production everywhere by taking advantage of the areas' natural resources, technology, information, management, and labour, and the selling of products. ...*

*China had extensive low-cost and high-quality labour resources, which have become a major attraction for [TNCs]. ... By the end of December 2003, China had ushered in a total of US\$501.5 billion in actual foreign direct investment (FDI) [investment in a country made by a foreign company], making it the second largest destination for FDI, after the United States.*

Source: Zhou Qing and Mo Wangui, research staff at the People's Bank of China, quoted in "Analysis: China's Growth Blesses the World," *China Daily*, October 20, 2004, [http://www.chinadaily.com.cn/english/doc/2004-10/20/content\\_384078.htm](http://www.chinadaily.com.cn/english/doc/2004-10/20/content_384078.htm).



◀ **Figure 12-12** Shanghai, China. Manufacturing and trade have exploded in China as a result of economic globalization. What aspects of free trade have made this explosion possible? What might be some positive and negative features of this growth?



CorpWatch investigates the practices of TNCs regarding human rights, environmental crimes, fraud, and corruption. The organization works to foster global justice, independent media activism, and democratic control over TNCs. You can find out more about CorpWatch's activities by following the link on the *Living in a Globalizing World* website.

- 1 According to the first excerpt, what are the costs associated with the expansion of economic globalization? According to the second excerpt, what are the benefits?
- 2 Determine whether TNCs should be held to the same standards when they operate in less developed countries as when they operate in more developed countries. How might your answer change if you were (a) a citizen of a less developed country or (b) a business owner in a more developed country?

their wealth, TNCs have a great deal of power. Consider this fact and think about where major decisions are made that strongly affect the lives of people in both more and less developed countries.

## United Nations Global Compact

You have seen that one of the controversies surrounding transnational corporations is their enormous wealth and power. Because of this concern, the United Nations established the Global Compact in 1999. Among other principles, the Global Compact requires TNCs to abolish child labour and reduce greenhouse gas emissions.

By 2004, almost 1700 companies had become members of the Global Compact. The organization claims that great strides have been made in improving corporate social responsibility. For example:

- William E. Connor & Associates, headquartered in Hong Kong, dismissed an underage girl employed in a supplier's factory, provided her with money for education, and agreed to rehire her when she reached legal age.
- Lafarge, a French construction company, agreed to reduce its carbon dioxide emissions to 85 per cent of 1990 emissions by 2010.
- A Brazilian bank introduced a health-care plan and exercise facilities for its employees.

Critics of TNCs point out that the UN has no policing authority, so if a TNC violates the agreement, no action can be taken against it. These critics also point out that only 61 of the participants in the Compact are American companies. Since many of the largest TNCs are American companies, the fact that so few of them are part of the Compact shows that many TNCs are still conducting business as usual.

Supporters of the Global Compact argue that it puts greater pressure on all TNCs to do business in a more responsible way. TNCs that improve working conditions and wages and take steps to decrease their impact on the environment receive high praise and good media coverage. This encourages other TNCs to follow the same practices.

Pro-business groups such as the International Chamber of Commerce (ICC) believes that self-regulation works best. In other words, TNCs should be left to themselves to voluntarily comply with demands that they do business responsibly.

For now, it seems that the issue of regulating TNCs is going to be left up to the citizens of the 21st century. This means *you*. Consider the role you can play now and in the future in deciding how countries should control and regulate TNCs to ensure the maximum benefit to all people.

## FastFacts

In 2005, the five largest TNCs were Wal-Mart (United States), BP (United Kingdom), Exxon Mobil (United States), Royal Dutch/Shell Group (United Kingdom/Netherlands), and General Motors (United States). For a full list of the world's largest TNCs, follow the link on the *Living in a Globalizing World* website. Why would some people be concerned that the headquarters of top TNCs are almost all located in more developed countries? How might this affect the lives of people in less developed countries?



▲ **Figure 12-13** In 2005, Nike Canada announced that it would build a sports complex out of “Nike Grind” (recycled shoe material), as part of its Reuse-A-Shoe Program. One of the world's largest TNCs, Nike has joined the UN's Global Compact. By doing so, it has promised to become a good corporate citizen—for example, by protecting human rights and working against corruption. Why would a TNC choose to join the Global Compact? What would it get out of such an agreement? What might be some benefits for citizens and consumers?

ICC International Chamber of Commerce



## Media Smarts

Socially responsible corporations conduct their business in a way that considers their employees, host communities, the environment, and society in general. For example, they follow sound environmental practices, respect human and labour rights, and provide goods and services that are not generally considered harmful to society.

One TNC that has received a great deal of public criticism over the past 10 years is Nike. Part of the criticism came about after consumers found out that running shoes that sold for \$100 in the United States were made for less than \$10 in less developed countries. As well, investigations into Nike's labour practices revealed that workers in the shoe factories were paid very poorly, received no benefits, and worked very long hours in unhealthy working conditions.

Because of the negative publicity Nike received over its corporate ethics, it has made substantial improvements. With a partner, gather news about Nike. Use print, broadcast (if possible), and electronic news sources. Find out what criticisms were made about the company in the past, the improvements it has made, and what criticisms it currently faces.

Write a short report that assesses your findings. Use the organizer on page 103 to help you present an informed position in your report. Include a concluding statement that answers this question: Is Nike now a socially responsible corporation?

## Explore the Issues

### 1 Promote Responsible Corporate Citizenship.

Working with a partner, review the information in this section and then draft a Transnational Corporation Constitution. In your constitution (which can be in point form), record all the responsibilities that you believe

TNCs should be bound to uphold. For example, at the beginning of the section, one of the articles reported that Niger is urging TNCs to set up effective pollution-control measures. This could be one of your points. Be prepared to share your final constitution with the class.

## Chapter Summary and Reflection

### Apply and Extend Ideas

- 1 Create an organizer in your notebook titled "Why Economic Globalization Has Continued to Expand."
  - a) Draw three columns with these headings: "International Trade Agreements," "Communications and Transportation Technologies," and "TNCs."
  - b) Use point-form notes to record the key points of this chapter.
  - c) Use the information in your organizer to create a dual timeline. (Refer to the Skill Path in Chapter 3, pages 39–40, for help in creating a timeline.) One side of the timeline should list chronologically the major developments that have influenced the expansion of globalization since the Second World War. The other side should indicate changes that occurred after each development. Then determine if there is a link between each development and the changes that came after it.

- d) Analyze the information in your organizer and timeline, and then write a short paragraph that responds to the Chapter Issue: *To what extent have developments since the Second World War influenced the expansion of economic globalization?*

- 2 In this chapter, you found out that many more developed countries have set up a system of subsidies for their farmers and other food producers.
- a) As a class, and with the permission of your teacher, contact an agricultural organization such as the Canadian Dairy Information Centre, Alberta Beef Producers, or the Canadian Wheat Board. Ask if the organization can send a guest speaker to your class to talk about his or her industry and address the question of agricultural subsidies.
- b) Develop questions to ask your guest speaker. Include open-ended questions such as, “How do Canadian agricultural subsidies affect people in less developed countries?”
- c) Following the presentation, write a letter to your Member of Parliament that expresses what you believe needs to be done about agricultural subsidies. Explain the impact this issue has on you as a consumer, a citizen, and a future employee.

- 3 You can choose to play a role now and in the future in deciding how countries should control and regulate TNCs to ensure the maximum benefit to all people. You can start considering this issue now by investigating a TNC.
- a) The organization Global Exchange posts a list of the “Most Wanted Corporate Human Rights Violators” on its website. Follow the links on the *Living in a Globalizing World* website.
- b) Read the list, then select one TNC to analyze.
- c) Record details about the TNC’s “offences.” These may include information about environmental degradation or human rights abuses of workers, for example.

- d) Research the claims of the Global Exchange using other sources, especially the TNC’s own website. Try to gain perspectives that you did not find on the Global Exchange website.
- e) Draft a letter to the company that expresses your opinion about the information you read.

### Practise Your Skill

- 4 In a small group, role-play members of a town council who are meeting to discuss whether or not Wal-Mart should be allowed to build a store in their small town. Some of these roles could include mayor, homeowner located near the proposed building site, small business owner, and parent with small children.

During your role play, practise the communication skills of active listening, asking good questions, and providing effective feedback that you explored in the Skill Path for this chapter. **SKILL PATH**

### Reflect on the Chapter Issue

In this chapter, you investigated ways that international trade agreements, technology, and TNCs have contributed to the expansion of economic globalization since the Second World War. Now you are ready to respond to the Chapter Issue: *To what extent have developments since the Second World War influenced the expansion of economic globalization?* With a team of six students, create a pair of skits. Choose one aspect of globalization that expanded after the Second World War. Your performance can show “before” and “after” expansion. Use your good communication skills as you work together as a team. Try to communicate who benefited—or who did not—and to what extent. Discuss the skits your class presents as part of a class discussion about the Chapter Issue.

This exploration will help you to continue to develop a personal point of view about the Main Issue for Part 3: *Does globalization contribute to sustainable prosperity for all people?* **SKILL PATH**