



Chapter

13

Challenges and Opportunities of Economic Globalization

Key Terms

deregulation
privatization
Crown corporation
AGT
EUB
economic nationalism
FIRA
knowledge economy
factors of production
sweatshop

Figure 13-1 What jobs are you interested in as a career? Which of these jobs have been created as a result of globalization? Have any of them been affected by the challenges of globalization?

Chapter Focus

What do you plan to do after high school? Do you want to go to university or technical school? Or do you want to get a job? You will probably find that there are endless opportunities and challenges. For example, if you are planning to continue your schooling, would you prefer to stay close to home or study far away? Or are you thinking about travelling first?

Some of these opportunities and challenges are a direct result of economic globalization. If, for example, you end up working for a transnational corporation, globalization will have provided you with that opportunity. However, if you end up losing a job in the future because your company's operations are relocated to a less developed country, you will have faced one of the challenges of globalization.

You might already have formed an opinion about jobs and globalization from your earlier work in this course. But what is your opinion about some of the other opportunities and challenges of economic globalization? Take a minute to jot down your initial thoughts on these questions:

- Should governments or private businesses be in charge of health care?
- Would access to information in the knowledge economy help reduce poverty throughout the world?
- Should Canadians be concerned about child labour and sweatshops?

Chapter Issue

*To what extent does political and economic globalization affect people's lives? You will explore this Chapter Issue by considering the examples of trade liberalization, the knowledge economy, and outsourcing of manufacturing. This inquiry will help to further your understanding of the Main Issue for Part 3: **Does globalization contribute to sustainable prosperity for all people?***



Stretch Your Mind to Create a Plan of Action

To what extent does political and economic globalization affect people's lives?

If you had been asked to respond to this Chapter Issue at the beginning of the course, you might have responded very differently than you would today. You see things differently because you have been exploring different understandings of globalization. In other words, you have stretched your mind to consider many ideas and positions on issues of globalization.

Stretching your mind can also help you think of many ideas for taking action on an issue. When you first consider a problem, you might come up with an answer fairly quickly. But if you give the problem further thought—and try to find solutions that are not immediately obvious—you often end up with an even better plan of action.

Your Task: Investigate the issue of sweatshop labour by reading pages 227–230 in this chapter and examining the image on page 334. Then, stretch your mind in order to take action on this issue. Working in small groups, define the issue of sweatshop labour, consider all the options for dealing with it, identify the best solution, and create a plan of action.

Step 1

Define the Issue

Start any research project by establishing some guidelines for your topic.

- What are your first thoughts about the issue?
- Capture your thoughts by writing down two or three two-word statements about the issue (for example, “people overworked,” “low wages”).
- List all the ideas you can think of about how to approach the issue.

Step 2

Consider All the Options

- Consult people of diverse backgrounds and experience about their ideas concerning this issue. Be open-minded and flexible when listening to these ideas.
- Within your group, compare ideas and encourage alternative views.

Step 3

Take a Break

- Take a break from this task to allow your brain to “incubate” possible solutions to the issue. (This means allowing your brain time for unconscious thinking.)

Step 4

Conduct Further Research

- Conduct research to find out what others have done to try to address this issue.



SKILL PATH

Web Link

The *Living in a Globalizing World* website provides links to information that explores perspectives on sweatshop labour.

Step 5

Identify the Best Solution

Now that you have your information, you need to refocus your research.

- Revisit the issue, considering all possible options.
- Identify the best solution to the issue.
- Then, revise and adjust your solution by comparing it with all the options you listed in Step 2.
- List the negative aspects of your solution.
- Further modify your solution to reduce or eliminate the negatives and emphasize the positives.

Step 6

Create a Plan of Action

- Develop a plan for taking action based on the best solution you identified.

The Impact of Trade Liberalization in Canada

In your notebook, make a T-chart with these two headings: “Privatization Is an Opportunity” and “Privatization Is a Challenge.” Note the arguments raised in these articles. Add to your T-chart as you work through this chapter.

Question for Inquiry

- What is the relationship between trade liberalization and globalization?

Introduce more private medicine...

The doctor who took the Québec government to the Supreme Court of Canada, causing it to change its policy on wait times and private health insurance, wants to see more privatization. In his Supreme Court case, Dr. Jacques Chaoulli argued “patients will continue to suffer and die” because of waiting lists.

CBC News, March 21, 2006

Equality for Canadians with disabilities

The growing gaps and privatization of our medicare system would mean less access to health support services for seniors and people with disabilities (and all Canadians in general) and represents a step backwards in their struggle for equality. This is seen most within the community and continuing care sectors of our health system.

The Canadian, April 5, 2006



READING GUIDE

Record each margin definition in your notebook. After you have learned more about it, also record an example. Use the definitions and examples to help you study.

As you saw in Chapter 11, trade liberalization is the term used to describe the process of reducing barriers to trade. Our increasingly globalized world has led to both freer trade between countries and trade liberalization. Some economists believe that trade liberalization helps people throughout the world because it stimulates the economy, providing more money for everyone. Other economists argue that trade reforms always hurt someone, often pushing some people into deeper poverty. In this section, you will have a chance to explore the impact of trade liberalization in Canada. This exploration will help you consider the Chapter Issue: *To what extent does political and economic globalization affect people’s lives?*

Forms of Trade Liberalization

In some cases, trade liberalization involves reducing tariffs and eliminating quotas (the quantity of a product that can be imported); in other cases, it involves removing barriers to increased trade. In Canada, one impact of trade liberalization has been the deregulation of Crown corporations and the privatization of these industries. **Deregulation** involves opening an industry to more competition by removing government regulations. This can be done in different ways. One method is **privatization**—the sale of government-owned industries and services to private businesses.

Crown Corporations

Crown corporations are generally set up by governments to handle parts of the economy that they consider too important to leave in the hands of the private market. As well, governments in some countries are required by law to provide essential services to all citizens regardless of where they live. Whether you live in downtown Edmonton or on a farm, you still need to get your mail and have access to electricity and roads. In some countries, these services are provided by government.

Private businesses do not have to provide any products or services unless they can make a profit. Building roads or running expensive telephone cables and electrical lines to remote areas are money-losing ventures. Governments can either pay private companies to provide these essential services or create their own Crown corporations to do the work.

As Canada was developing, governments set up Crown corporations to provide essential services. For example, the federal government created the CBC and Air Canada, and the Alberta government created Alberta Government Telephones (AGT). Some of these Crown corporations operated as monopolies. AGT was virtually a monopoly. Except for EdTel, a telephone utility owned by the city of Edmonton, AGT was the only business allowed to operate telephone services in Alberta.

By the 1990s, the trend was to reduce the role of government in the economy. The federal and provincial governments began to dismantle government-owned industries and sell them to private businesses. AGT later became the private company Telus, which competes with Bell and other companies across Canada.

Figure 13-3 Canada Post is a Crown corporation. Is mail delivery to your home still “essential” now that so many people communicate by email? Explain. ▶

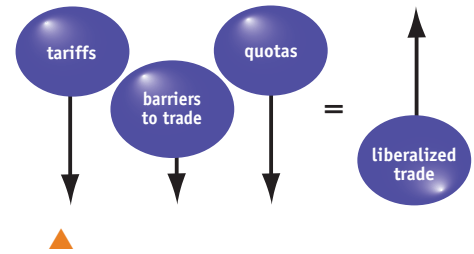


Figure 13-2 The process of trade liberalization.

deregulation the opening of an industry to more competition by removing government regulations originally put in place to limit competition

privatization the sale of government-owned industries and services to private businesses

Crown corporation a government-owned business created to provide essential products and services to people

AGT Alberta Government Telephones



Figure 13-4 A teen handles the cash register at a Saskatchewan A&W restaurant. Fast-food franchises in your neighbourhood may well be owned by someone in your community. Further, all the employees would be local residents, so the benefits from wages and taxes stay in the community. What benefits does this example of trade liberalization provide for teenage workers?

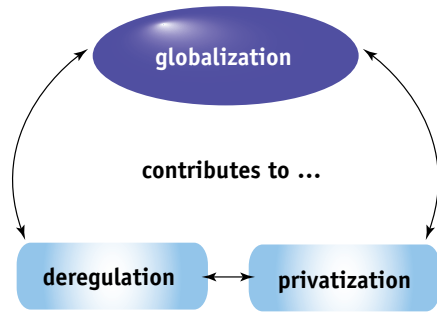


Figure 13-5 The forces of globalization tend to pressure governments to decrease their involvement in the economy.

The Link between Privatization and Globalization

As you have seen, privatization is the transfer of government-owned industries and services to private ownership. When a Crown corporation is taken over by a company focused on making a profit, then the business has been privatized. In some cases, Crown corporations are privatized because the need for a government service has changed. In other cases, governments are pressured to privatize their services because of globalization.

In Chapter 12, you learned that a country's government sometimes subsidizes an industry to keep it afloat. As a result, other countries cannot compete against the subsidized service or product in that country. That is, they cannot sell their own service or product for less money than the subsidized one. In a globalized world, this is seen as a barrier to freer

Voices

The Impact of Trade Liberalization in Less Developed Countries

Trade liberalization has had both positive and negative effects on people in less developed countries. The following excerpt outlines some of these effects.

- *In many countries in Africa, trade liberalization has been partial (for example, tariffs remain high) and has not always spurred investment and growth because of weaknesses in the economic environment and in ... policies for regulation, infrastructure, and labour.*
- *In Latin America the link between trade and poverty is not well established. For some countries, trade liberalization has increased the income of skilled labour as compared with unskilled labour, contributing to higher income inequality. Its impact on total poverty, however, cannot be established on the basis of existing studies.*

Infrastructure: basic systems such as electrical power, transportation, and communication that support economic activity

- *Compared with other developing countries, most of the budding economies of East and Southeast Asia have pursued widespread trade reforms and stable economic policies, and as a result have significantly reduced poverty over the last three decades.*
 - *In Eastern Europe ... the results have been mixed. ... [T]he short-term negative effects of reform on employment and poverty were largely overcome by the growth in private sector activity.*
 - *In countries of the former Soviet Union, however, poor governance and weak ... institutions have greatly delayed the transition to new competitive activities and jobs, resulting in increased poverty.*
- 1 Make a three-column chart to identify how trade liberalization has had different impacts on different regions of the world. In the third column, suggest how these impacts might have affected people's lives.
 - 2 Suggest how the author of this article would respond to the Main Issue for Part 3: **Does globalization contribute to sustainable prosperity for all people?**

Source: Adapted from The World Bank Group PovertyNet, "Global Poverty Report 2001: A Globalized Market: Opportunities and Risks for the Poor," <http://poverty2.forumone.com/library/view/4757>.

trade. As a result, globalization drives governments to privatize Crown corporations because many services of Crown corporations are government-subsidized. For example, Rocky Mountaineer Vacations, a private company based in British Columbia, was once operated by Via Rail, a government-subsidized Crown corporation.

The appeal of short-term profits is another way that globalization puts pressure on governments to privatize services. When governments sell a Crown corporation, they get a large cash payment from the sale. As well, they no longer have to subsidize the service that was privatized. With this extra money, governments can lower taxes in order to improve their global competitiveness. On the other hand, critics of privatization point out that governments often continue to subsidize the service that was privatized, but the profits from the service now go to the new owner, rather than to the government.

Deregulation of Alberta's Energy Industry

In an ideal free market economy, businesses compete with one another to provide the best products and services at the cheapest price for the benefit of all consumers. However, the goal of any business is to make a profit, not to ensure that all consumers have access to products and services. Depending on your point of view, privatization and deregulation of essential services in Alberta, such as the energy industry, have created either challenges or opportunities.

Before deregulation, Alberta's electrical energy industry was structured differently than the electrical energy industry in most other provinces. Instead of a single Crown corporation, three privately run utilities dominated the industry. Each utility had its own generation, transmission, and distribution system within a certain area. In addition, several municipalities owned the distribution system for providing electricity to residents within their area. Medicine Hat, for example, owned both the generation and distribution system for its residents.

The structure of the electrical energy industry changed, of course, after deregulation. Today, the industry is owned and operated by a mix of investor-owned and municipally owned companies. However, the Alberta Energy and Utilities Board (EUB), an agency of the Alberta government, regulates the rates of investor-owned electric utility services. Municipally owned utilities are regulated by their municipal councils. The EUB also regulates the development and transmission of Alberta's energy resources. Following deregulation, the government set up a rebate (a partial refund of money) program to help Albertans deal with higher electricity costs.

Consider what this information suggests about

- the impact of economic globalization on the Alberta government's decision to deregulate the energy industry
- the political role the government might have played in regulating energy rates
- the government's efforts to address the issue of sustainable prosperity for Albertans.



▲ **Figure 13-6** A number of Canadian provinces have shown an interest in privatizing some parts of the health care system. Why might this idea concern many Canadians? What are the possible benefits of such an idea?

EUB Alberta Energy and Utilities Board



▲ **Figure 13-7** Part of the electrical transmission network in Alberta, near Lethbridge. The Alberta government is reviewing its restructuring of the electrical energy industry. It has set 2012 as the new target date for achieving a competitive free market for electricity. However, there is some concern over the impact of the Kyoto Protocol if generation plants have to meet the Protocol's environmental standards. How might the government see the Kyoto Protocol as both an opportunity and a challenge?



Voices

Deregulation of the Electrical Energy Industry

In 1995, Alberta passed the Alberta Electric Utilities Act, paving the way for deregulation of the industry. The Act created a power pool where utilities could buy and sell electricity based on free market prices. The government hoped that deregulation would increase competition, improve service, and reduce prices. Consider the different points of view in this feature.

Energy Minister Murray Smith admits Alberta's deregulated electricity market still has a way to go. ... "There needs to be another retailer, there's no question." ... Smith said he would be much happier if there were at least three competitors in each residential market, instead of the sparse competition that exists now.

At the same time, the minister said there's some good news. "We've avoided power outages," he said. "I think we're seeing downwards pressure on rates."

[According to Liberal energy critic Hugh MacDonald, the retail electricity market is] "an abysmal failure. Where is the competition that was promised? There's no competition." Alberta, MacDonald said, has too sparse a population to attract "any real competition."

Source: Canadian Press, "Energy Minister Gives Poor Grades to Power Deregulation Experiment," *Lethbridge Herald*, August 21, 2002.

"Deregulation on the retail side is driven by ideology [a way of thinking], not common sense," says NDP Opposition energy critic David Eggen. "Full deregulation for individual consumers would be an unmitigated [absolute] disaster for Albertans' power bills. Electricity deregulation was ... proven a disaster on so many fronts, but this government is adamantly forging ahead."

Source: Alberta NDP News, "Alberta's Deregulation Debacle," June 8, 2005, <http://www.albertandp.ca/News.cfm?ID=303>.

- 1 Create a two-column organizer with these headings: "Arguments for Deregulation" and "Arguments against Deregulation." Analyze the articles in this feature, making point-form notes in your organizer. Are there more arguments for or against deregulation? Which arguments do you most agree with? Why?
- 2 Identify the arguments that are political—in other words, those relating to the involvement of the government in some way. What do these arguments suggest about the relationship between economic globalization and political decision making?
- 3 Draw conclusions from the information in your organizer to help you respond to the Main Issue for Part 3: **Does globalization contribute to sustainable prosperity for all people?** Record your response in your notebook.

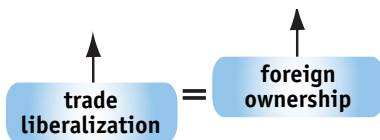


Figure 13-8 As trade is liberalized, foreign ownership and investment in Canada goes up.

economic nationalism the belief that a country's economy should belong to the people of the country and not be controlled by foreign companies

Foreign Investment and Ownership in Canada

Another impact of trade liberalization in Canada is increased foreign investment and ownership. This has been an issue throughout Canadian history. Some Canadians are concerned that increased foreign investment and ownership result in the loss of identity and economic independence in Canada. This concern is called **economic nationalism**—for Canadians, this usually means we do not want to be taken over or absorbed by the United States. This concern is understandable, since we live next door to the most powerful military and industrial country in the world.

Control of Canada's Economy

Canada's population is about the same as that of California, so the United States sometimes tends to take Canada for granted. It is hard for Canada to do the same, especially since 86 per cent of our exports go to the United States. Smaller Canadian companies cannot buy out large American businesses. However, when the reverse happens, it sets off alarm bells for economic nationalists. The last time this happened was in the 1970s, when there was growing public concern about the level of foreign ownership and investment in a number of sectors (especially oil and gas, mining, and manufacturing). This concern led to the creation of the Foreign Investment Review Agency (FIRA) in 1973 by the federal Liberal government. FIRA was part of a broader industrial strategy, based on economic nationalism, that tried to stop further US control of the Canadian economy. FIRA's purpose was to screen foreign takeovers and the creation of new businesses or subsidiaries by non-Canadians.

According to one position, FIRA did reduce the volume of foreign takeovers. According to another position, FIRA actually did little except rubber-stamp nearly all foreign investments and takeovers. After the Progressive Conservatives were elected in 1984, Prime Minister Brian Mulroney announced that Canada was "open for business" again and replaced FIRA with Investment Canada. Its purpose was to encourage foreign investment in Canada. Since then, more than 11 000 Canadian businesses have been purchased by foreign companies.

From Foreign Ownership to Globalization

The issue of foreign ownership and investment as seen by Canadian economic nationalists has basically disappeared because of globalization. The Mulroney government not only "opened Canada for business," but it also signed the Free Trade Agreement with the United States in 1988 and NAFTA in 1992. Since then, the trend has been toward economic globalization with more free trade and open borders.

FIRA Foreign Investment Review Agency

FastFacts

In 2005, China National Offshore Oil bought a \$150 million share in MEG Energy, an Alberta oil sands developer. PetroChina signed a deal with Enbridge to build a \$2.5 billion oil pipeline between Edmonton and the West Coast to ship up to 200 000 barrels a day to China.

Some economists say that Canada should improve trade ties with other countries in order to become less dependent on the United States as a trading partner. Do you agree? Is Chinese investment in the Alberta oil industry an example of "good" foreign investment? Explain your answers.

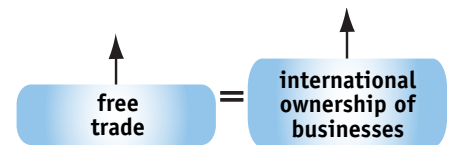
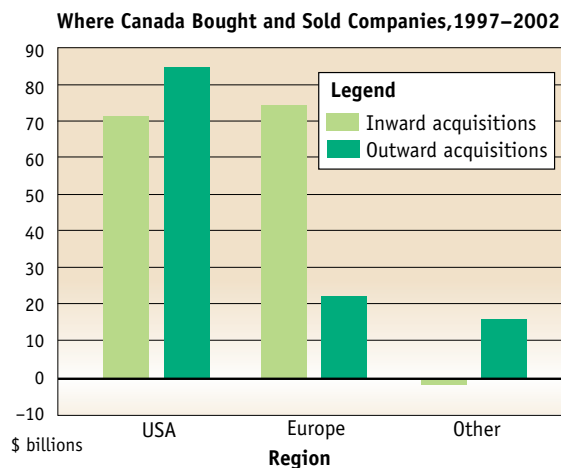


Figure 13-9 With trade liberalization, more foreigners buy Canadian businesses, but more Canadians buy foreign businesses too.



Source: Statistics Canada, <http://www.statcan.ca/english/research/11-621-MIE/11-621-MIE2004013.htm>.

Figure 13-10 According to Statistics Canada, between 1997 and 2002 Canadian companies purchased 447 foreign companies (called outward acquisitions), while foreign companies purchased 345 Canadian companies (called inward acquisitions). Interpret this information and the data in the graph to draw some conclusions about the relationship between trade liberalization and globalization.

Explore the Issues

- 1 Discuss, Reflect, and Communicate.** The information in this section has given you the chance to consider various understandings of trade liberalization.
- Working with a partner, choose an industry, such as telephone services, that was explored in this section.
 - Decide whether you and your partner will support the “free market” perspective or the “government intervention” perspective.
 - Discuss the arguments for and against deregulation of the industry from your chosen perspective. Make sure you consider the impact these arguments would have on people’s lives.
 - Communicate these arguments by writing a short opinion piece or by giving a speech in role as a politician or a company public relations officer.
 - Share your opinion with the rest of the class.

The Knowledge Economy

What are the opportunities and challenges facing workers within the knowledge economy? How well do you think you could cope with the demand that you make a 110 per cent effort all the time?

Question for Inquiry

- What is the relationship between the knowledge economy and globalization?

India has come to terms with globalization: PM

That city [Bangalore] symbolized the arrival of India on the global stage in the **knowledge economy**. Global companies reached out to Indian professionals to secure an edge in a competitive global market. Companies and countries that made good use of Indian talent benefited and remained competitive. ... [T]he Indian information technology industry offered a range of services that have found a growing market worldwide.

*Indian Prime Minister Manmohan Singh,
quoted in Rediff India Abroad, March 18, 2006*

Knowledge-based employees are dangerously overworked

By Dr. Graham Lowe

A stressful culture of overwork has emerged from constant organizational change, dependence on information technology, and the demands of a non-stop global economy. ... Nothing less than 110-per-cent effort is good enough. This work intensification [increase] most directly affects knowledge workers who drive the post-industrial economy [an economy in which the importance of services, information, and research rises while that of manufacturing falls].

*Express News
(University of Alberta), April 6, 2006*

knowledge economy industries that use knowledge to produce economic benefits

factors of production resources such as land, labour, and capital that are used to produce goods and services. (Capital in this sense refers to machinery, factories, warehouses, and equipment.)

Take a look at the skills chart in Figure 13-11. Jot down which of these skills you currently have and which ones you will need for a job after you complete your education.

Technological developments in the 20th century transformed the majority of wealth-creating work from being physically based to knowledge based. In this section, you will have a chance to examine today’s key **factors of production**—technology and knowledge. As you explore this information, think about the Chapter Issue: *To what extent does political and economic globalization affect people’s lives?*

BASIC SKILLS	COMMUNICATE EFFECTIVELY	THINKING SKILLS	TEAMWORK	INFORMATION LITERACY	HABITS OF LEARNING
<ul style="list-style-type: none"> • read and write; calculate and operate basic computer applications 	<ul style="list-style-type: none"> • Use verbal, written, and presentation skills for the purposes of <ul style="list-style-type: none"> – negotiation – persuasion – facilitation (making an action easier) – coaching – mentoring 	<ul style="list-style-type: none"> • think; analyze and solve problems • assess situations and evaluate and implement suggestions 	<ul style="list-style-type: none"> • co-operate with others and work in teams 	<ul style="list-style-type: none"> • locate, gather, analyze, and organize information 	<ul style="list-style-type: none"> • adapt to a range of situations • take risks; formulate and champion a vision • learn independently • exercise responsibility • innovate (generate and use knowledge)

Source: Industry Canada, 2005,
<http://www.schoolnet.ca/grassroots/e/project.centre/shared/Keskills.ASP>.

◀ **Figure 13-11** According to Industry Canada, all the skills in this chart—combined with drive, determination, enthusiasm, and commitment—are required for workers to be successful in the new knowledge economy. The term *knowledge economy* (also called the knowledge-based economy) refers to the fact that today's economy is driven by knowledge, as opposed to labour and capital. Consider how the ability to speak more than one language might also be an important skill in the knowledge economy.

The Link between Globalization and the Knowledge Economy

The knowledge economy has sped up the process of globalization. As you have seen, globalization has had a strong impact on economies throughout the world and has put pressure on countries to compete effectively in the world market. Because the Internet operates 24 hours a day, seven days a week, ideas are occurring around the clock. As a result, governments have learned that they have to invest in and produce knowledge workers if they hope to be competitors in the global marketplace.

Governments have realized that globalization and the knowledge economy are inseparable. Whatever happens in one of these areas has a direct impact on the other. Consequently, governments have had to develop policies to help them succeed in the knowledge economy. According to the Commonwealth Centre for e-Governance, in order to succeed in the knowledge economy, governments need to

- develop education programs to nurture knowledge workers
- invest in online connectivity to get as many citizens online as possible
- invest in technology to build a basic framework
- build programs to stimulate innovation and creativity
- pass laws to create security and confidence for businesses to operate in the growing knowledge economy
- create government websites to help businesses and entrepreneurs who want to pursue knowledge-based economic activity
- work to bring about change in institutions to help them adapt to the new economy that is emerging in the world.

▼ **Figure 13-12** Explain how eBay is an example of the knowledge economy.



FastFacts

A computer programmer in the United States costs IBM \$56 an hour; a programmer in China costs about \$12.50 an hour.

If you were running a major corporation, would you transfer programmer jobs overseas? Or would you feel responsible to your "own" workers? Explain your answer.



Figure 13-13 India



Figure 13-14 Although the computer programming industry is booming in India, women make up only a small percentage of programmers. However, women dominate the global call centre industry. How might political and economic globalization affect the lives of women in India?

The Knowledge Economy Is Revolutionizing India

An unlikely group of workers in Canada and the United States are finding themselves out of work. This group includes computer programmers and other technology professionals who are losing their highly paid jobs to professionals in India. In the not-too-distant past, North American computer programmers were highly paid and in high demand.

One of the realities of the new knowledge economy is that it does not matter to a company such as Microsoft whether an employee is located 60 or 6000 kilometres away. (Think back to Chapter 1, where you explored call centres in India.) As long as the person has the required skills and is connected to the Internet, then she or he can do the job. As a result, thousands of graduates from

Indian technological institutes are being hired by companies such as Microsoft and Oracle. An Indian computer programmer receives an average wage of \$17 000. The same worker would cost the companies \$98 000 to hire in the United States.

Although computer programmers who have lost their jobs in North America believe it is unfair that their jobs have been “sent overseas,” not everyone agrees that this is a problem. Some economists believe that getting information technology work done more cheaply overseas will benefit the North American economy because it will force companies to become more competitive. Still others argue that it is about time that less developed countries started to benefit from economic globalization.

- 1 After considering the information in this feature, determine whether the knowledge economy is an opportunity or a challenge of globalization—or perhaps both. Be sure to explain your answer.
- 2 a) What occupation have you decided you might pursue? How might you prepare for it?
b) Consider whether the job you are preparing for might be outsourced as globalization expands. Explain.
c) How does outsourcing present you with opportunities and challenges in a globalizing world?

The Potential for Less Developed Countries

The challenge of the knowledge economy is whether or not less developed countries will be able to benefit from the transformed economy. Until these countries have enough wealth to invest in technology and embrace the knowledge economy, they may be left out of this transformation. However, many economists believe that the Internet and the knowledge economy will actually be powerful new tools to help these countries climb out of poverty.

Alberta and the Knowledge Economy

Alberta SuperNet was initiated by the provincial government to provide a high-speed, high-capacity network. The network links government, educators, and health care workers in 422 communities. It also gives businesses a high-speed, high-capacity “highway” to the global marketplace.

Web Link

To learn more about Alberta SuperNet, follow the link on the *Living in a Globalizing World* website. Are your community and school linked to SuperNet? In what ways might SuperNet promote globalization?

Explore the Issues

1 **Consider It.** Working with a partner, review the information in this section. Then consider whether or not the knowledge economy is one of the *results* of economic

globalization or if it has *driven* the increased growth of globalization. Make point-form notes to support your answer.

Outsourcing

Question for Inquiry

- How could outsourcing be both an opportunity and a challenge of globalization?

These articles present different views about outsourcing of jobs. Use this information to write a brief paragraph in your own words on why outsourcing can be seen as both an opportunity and a challenge of globalization.

The flight to India

By George Monbiot

A historical restitution [correction] appears to be taking place, as hundreds of thousands of jobs. ... flee to the economy we ruined [that is, India's economy]. Low as the wages for these positions are by comparison to our own [in Britain], they are generally much higher than those offered by domestic employers. A new middle class is developing in cities ... Its spending will stimulate the economy, which in turn may lead to higher wages and improved conditions of employment.

The Guardian, October 21, 2003

“Insourcing” myths: Jobs and insourcing

Some have suggested that the jobs lost to outsourcing are offset by the millions of American workers hired by foreign companies to produce new goods and services. However, the vast majority of employment associated with new investments by foreign companies has taken the form of acquisitions of ongoing US companies, such as Daimler's takeover of Chrysler.

Economic Snapshots (Economic Policy Institute), April 6, 2004

You first looked at the issue of outsourcing—the hiring of one company by another to fulfill certain tasks in production—in Chapter 1.

Outsourcing is an issue that is generating a great deal of media coverage. It is also putting pressure on politicians. Why? Because

outsourcing is an effect of globalization that has a very real effect on jobs. When a local factory closes down because the company that owns it has decided to open a similar factory in a less developed country, it is upsetting for the employees. If they are unable to find other jobs, they may have to collect employment insurance or social assistance. Children in those same families may have to do without some of the luxuries they are used to, such as a new computer or a personal music player. For these reasons, learning about outsourcing with help you consider the Chapter Issue: *To what extent does political and economic globalization affect people's lives?*

Outsourcing is a relatively simple idea. One company contracts out a portion or all of the work

that needs to be done to another company because that company can do the work more cheaply. As you saw in Chapter 1, outsourcing has had a major impact in the service sector. Call centres, for example, can be established at low cost in less developed countries. With the use of toll-free telephone numbers and high-speed computers, a help line can be located almost anywhere in the world. In the last section, you learned that white-collar occupations such as computer programming are also being outsourced to less developed countries. In this section, you will have a chance to examine outsourcing in the manufacturing industry.



Figure 13-15 Factory workers in Zhuhai, China, assemble nail brushes for the Walt Disney Company. These workers receive a fraction of the wages that North American workers receive for doing the same job. Is there anything wrong with this? Is there any way we can “protect” North American jobs from outsourcing pressures? Should we protect them? Explain your answers.

Voices

Outsourcing in the Future?

It is natural for Canadians to think about how we are affected by outsourcing. But how might people in other parts of the world feel about this issue? Here is one opinion.

Young Chinese, Indians, and Poles are not racing us to the bottom [for low-skilled jobs], they are racing us to the top. They do not want to work for us; they don't even want to be us. They want to dominate us—in the sense that they want to be creating the companies of the future.

Source: Thomas Friedman, quoted in *Maclean's*, April 11, 2005, p. 64.

- 1 Do you think that countries such as China, India, and Poland might be outsourcing jobs to Canada in the future? Why or why not?
- 2 Do you think workers in those countries view outsourcing as an opportunity or a challenge? Explain your answer.



Using library and Internet sources, prepare a report on Gap, Disney, Reebok, or Mattel factories in less developed countries. Most are located in Southeast Asia. (For guidance in effective research techniques, refer to the Skill Paths in Chapter 7, pages 107–108, and Chapter 8, pages 123–124.)

1 Locate and gather the following information:

- total population and population distribution for each country where factories are located
- gross domestic product (GDP) and other economic information about each country

- a map that uses symbols to show the main industries of each country and their locations
- locations of the factories and the number of employees in each one
- the distance from each country to Alberta

2 Organize and interpret your findings, and then use them to write your report. Include two concluding statements: one about the workers in less developed countries and another about consumers who purchase these products in Canada. Explain if and how each group benefits from outsourcing.

Outsourcing in the Manufacturing Industry

The manufacturing industry was the first industry to be affected by outsourcing in a major way. At one time, car manufacturers such as General Motors (GM) and Ford were completely North American–based companies. All the automotive parts were made in North America, and the parts were all assembled here.

In the 1980s, the automotive industry began to outsource certain parts of the production process. The automotive companies said that they wanted to maximize profits, and outsourcing was one way they could do so. The autoworkers' union pointed out that because workers in North America were better educated than those in less developed countries, they needed less training and supervision to do the same work. Therefore, the union believes that the companies made a poor decision when they decided to outsource manufacturing jobs.

READING GUIDE

When you are reading material on the Internet, check the date it was written to ensure the information is current. Also, ensure that it comes from a reliable source.

Figure 13-16 Workers listening to an announcement about layoffs at the General Motors plant in St. Catharines, Ontario. Between 1993 and 1995, Canada produced 98 per cent of GM's North American auto profits. GM currently does 44 per cent of its work at its North American plants, while Ford does 38 per cent and Chrysler does 34 per cent. What would be the impact of a closure on a worker who loses a job?



sweatshop a workplace characterized by low wages and poor working conditions, often found in less developed countries that sell goods to TNCs

Web Link

Professor Jagdish Bhagwati teaches economics at Columbia University in New York City. He has been an economic adviser for the WTO and the UN and is a strong supporter of globalization. You can visit his website to find out why he thinks globalization is a positive development for the world's peoples. Follow the link on the *Living in a Globalizing World* website.



Figure 13-17 Young people buy and wear many items of clothing made outside their country. Do you think most are aware of the fact that this clothing could have been made in a sweatshop? If so, why might they have purchased the clothing despite this information?

Other areas of the manufacturing sector have also been affected by outsourcing. Large transnational corporations headquartered in Western countries tend to outsource their lowest-skilled jobs to workers in less developed countries. Some of these companies end up with huge profits. The workers are often paid wages that fall below the established poverty level in the TNCs' home countries, receive few benefits, and are sometimes physically or sexually harassed on the job. These workplaces are generally referred to as **sweatshops**. The exploited workers are frequently women who have few alternatives to these poorly paid jobs.

In his article "Must Globalization Mean Sweatshop Labour?"—published on the website of Educators for Social Responsibility—Alan Shapiro describes working conditions for some employees of Gap, Disney, and Wal-Mart. He considers these three TNCs to be among the worst corporate employers in less developed countries. They also are among the wealthiest TNCs in North America. The following information summarizes some of Shapiro's findings.

The Gap

According to Shapiro, Gap Inc., a clothing company that also owns Old Navy and Banana Republic, was worth over \$28 billion in 2003. Millard Drexler, the company's chief executive officer at the time, made more than \$39 million. Much of the company's profits are the result of the fact that the clothing is sewn in sweatshops outside North America, where workers are underpaid and exploited. The following examples from the article highlight Shapiro's opinion about the difficult working and living conditions of these employees:

- Gap workers in China, Thailand, Bangladesh, and the Philippines must sign contracts before they are employed. The terms of these contracts require that workers give up such human rights as the freedom to join unions, quit their jobs, attend religious services, or marry. Once they are employed, they work 12- to 16-hour days.
- In Russia, workers earn 11 cents an hour.
- In Macao, workers complain that they are forced to work extra hours, are subjected to forced pregnancy tests, earn \$4 a day, and are fired if they try to form a union.

Disney and Wal-Mart Workers in Bangladesh

In Daka, Bangladesh, workers make shirts for Disney and Wal-Mart. According to Shapiro most are women who regularly work 14-hour days and sometimes even longer. They usually make 11 to 17 cents an hour, hardly enough to support themselves, much less their families. They must meet daily production quotas—for example, sewing a button on a shirt in eight seconds. If they are told to work overtime, they must comply, even though they may not be paid for it. If they complain, they are likely to be beaten or fired. Every day, people in North America wear shirts and pants produced by 1.8 million garment workers in Bangladesh.

Outsourcing: An Opportunity or a Challenge?

Supporters of globalization point out that, even if workers suffer in sweatshop conditions, many of them are better off working at these jobs than not. The fact is that the quality of life for many people in less developed countries is often so desperate that work in sweatshop factories is an improvement.

In a January 2004 article, *New York Times* columnist Nicholas Kristof wrote that large corporate factories have raised the standard of living in Singapore, South Korea, southern China, and Cambodia. In fact, sweatshop jobs in Cambodia are in such demand that workers usually have to bribe a factory insider with a month's salary just to get hired. Kristof believes that, in Asia, factories hire mostly girls and young women with few other job opportunities. The result has been that girls and women are beginning to have some status and power, some hint of social equality, and an alternative to turning to the sex trade. Kristof warns that, if human rights groups succeed in banning the import of products from countries that do not meet international standards, jobs will be transferred from the poorest regions to better-off countries such as Malaysia or Mexico. For example, in Bangladesh, Haiti, and China, workers in factories making Disney products were starting to organize and demand better working conditions. Shortly afterwards, Disney withdrew from these factories.

Fast Facts

In 1999, the International Labour Organization estimated that 69 000 children were working in Ecuador's banana fields. Because of their small size, children are often employed to tie insecticide-laced cords between banana trees to stabilize the trunks. Over 50 per cent of these children do not go to school because they have to work to help their families survive.

Should Canadians boycott products if their production results in the exploitation of people? What do you think of boycotts as a means of bringing about change?



Because of concerns about sweatshop labour, the Canadian Labour Congress and the Ethical Trading Action Group developed a Canadian “No Sweat” campaign. “No Sweat” encourages schools and other organizations to purchase products from businesses that promote humane labour practices. As of late 2005, 12 municipalities across Canada had adopted “No Sweat” policies of their own. As well, 13 Canadian universities agreed to purchase only clothing produced under fair working conditions.

You, too, can make a difference. If you think the campaign is a good idea, consider acting on your belief. Find out if your school board or local municipality has a “No Sweat” purchasing policy. If so, write a letter supporting the program and publicize the program in your school. If not, find out why, and then organize others to achieve this goal.



Educators for Social Responsibility is a non-profit organization that works in public schools in New York City to help students acquire the skills they need to become youth activists. The organization tends to have an anti-globalization focus. To find out about its concerns regarding the impact of globalization, follow the link on the *Living in a Globalizing World* website.

Explore the Issues

- 1 **Conduct Research.** Outsourcing has had an impact on many people around the world.
 - a) Do some research on how outsourcing has affected major industries and companies in Alberta.
 - b) Focus on one of these industries and prepare a brief “Outsourcing Report” that highlights job losses and any changes to profits in the industry you selected.
 - c) Conclude your report by completing the following statement: “Outsourcing—a reality of globalization—has affected people’s lives in Alberta in the following ways ...”. Make sure you consider the various roles that each individual plays: consumer, citizen, employee, and so on.

Chapter Summary and Reflection

Apply and Extend Ideas

- 1 On page 216, at the beginning of this chapter, you were asked to create a T-chart to represent two viewpoints on privatization.
 - a) If you have not had a chance to update or complete your T-chart, you can do so now. Most of the information will come from the first section of the chapter, “The Impact of Trade Liberalization in Canada.”
 - b) Review and consider the arguments in your organizer.
 - c) Write a summary statement of your opinion regarding privatization. Make sure you include at least three reasons for your position. (Refer to the Skill Path in Chapter 21, pages 349–350, to help you defend your position.) Be prepared to share your statement with the class.
 - d) As a class, determine whether this issue demonstrates how economic globalization affects political decisions and whether, in turn, these decisions affect people’s lives.
- 2 In this chapter, you learned why Alberta chose to deregulate the electrical energy industry.
 - a) Conduct additional research on this topic to find out if the industry is currently considered to be a success.
 - b) Write a report that highlights your findings and explains the benefits and drawbacks of deregulation.
 - c) Conclude your report by explaining to what extent deregulation has affected both corporations and people.
- 3 Choose two jobs that you think you would like to pursue when you have completed your education.
 - a) Review the skills chart in Figure 13-11 on page 223. Record the skills you will need in order to work at your chosen jobs.
 - b) Make a plan for how you might acquire these skills.
 - c) Conduct research to determine how secure these jobs are. (For guidance in effective research, refer to the Skill Paths in Chapter 7, pages 107–108, and Chapter 8, pages 123–124.) Use your findings to assess if, in the future, globalization will likely make these jobs secure, or if they will be vulnerable to being eliminated or sent overseas.
 - d) Prepare a short report that summarizes your findings. Be prepared to share your report with your class.

4 Now that you have explored some of the unique opportunities and challenges of globalization, you are in a better position to give a tentative response to the Main Issue for Part 3: *Does globalization contribute to sustainable prosperity for all people?*

- a) As a class, conduct a horseshoe debate. Line yourselves up in a horseshoe, with those who believe globalization does contribute to sustainable prosperity at one end of the horseshoe, and those who do not at the other. Place yourself where you feel you stand on the issue.
- b) Contribute points of view in a class discussion about the extent to which globalization contributes to or erodes sustainable prosperity for all people.
- c) After hearing others' points of view, rearrange your placement on the horseshoe to better reflect your revised opinion.
- d) In a follow-up discussion, predict how your opinion may be affected after your work on the next two chapters: "Environmental Impacts of Globalization" and "Global Sustainability and Prosperity."

For further guidance in running a horseshoe debate, see the Skill Path for Chapter 20 on page 328.

Practise Your Skill

- 5 In this chapter's Skill Path, you learned how to stretch your mind in order to create a plan of action. **SKILL PATH**
- a) In a small group, choose one of the challenges of globalization presented in this chapter. (Do not choose sweatshops, because that topic was explored in the Skill Path.)
 - b) Formulate a "problem" statement about the challenge you selected.
 - c) Then, follow the steps in the Skill Path to create a plan of action.

Focus on Inquiry

- 6 Reflect on one group activity in which you used the skill of creating a plan of action, as described in this chapter's Skill Path. This skill is about how to focus: by generating ideas, consulting others, conducting research, and finally refining a solution of your own. **SKILL PATH**
- a) Evaluate your group's efforts at generating initial ideas (step 1).
 - b) How effectively did you find a variety of perspectives on the issue (step 2)? Explain. Did you evaluate your sources? Did they reflect authentic perspectives?
 - c) What existing efforts to address the issue did you identify? (step 4)? Evaluate how helpful it was to assess these efforts before revisiting your own plan.
 - d) How did you reconsider and revise and adjust your plan of action (step 5)? How would you develop a plan of action differently next time?

Reflect on the Chapter Issue

In this chapter, you examined some of the challenges and opportunities that arise from political and economic globalization. You are now ready to respond to the Chapter Issue: *To what extent does political and economic globalization influence people's lives?* As a class, create a series of concentric circles on the board. At the centre, write "Economic and Political Globalization." At the next level, write in examples of economic and political globalization that affect people's lives. You can draw from this chapter or from your own experience. At the third level, note issues that have arisen as a result of these developments. Now hold a class discussion about the Chapter Issue. As a class, choose one "issue" that you feel requires addressing. With your class, develop an action plan.

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**