

# Transport technology and globalisation

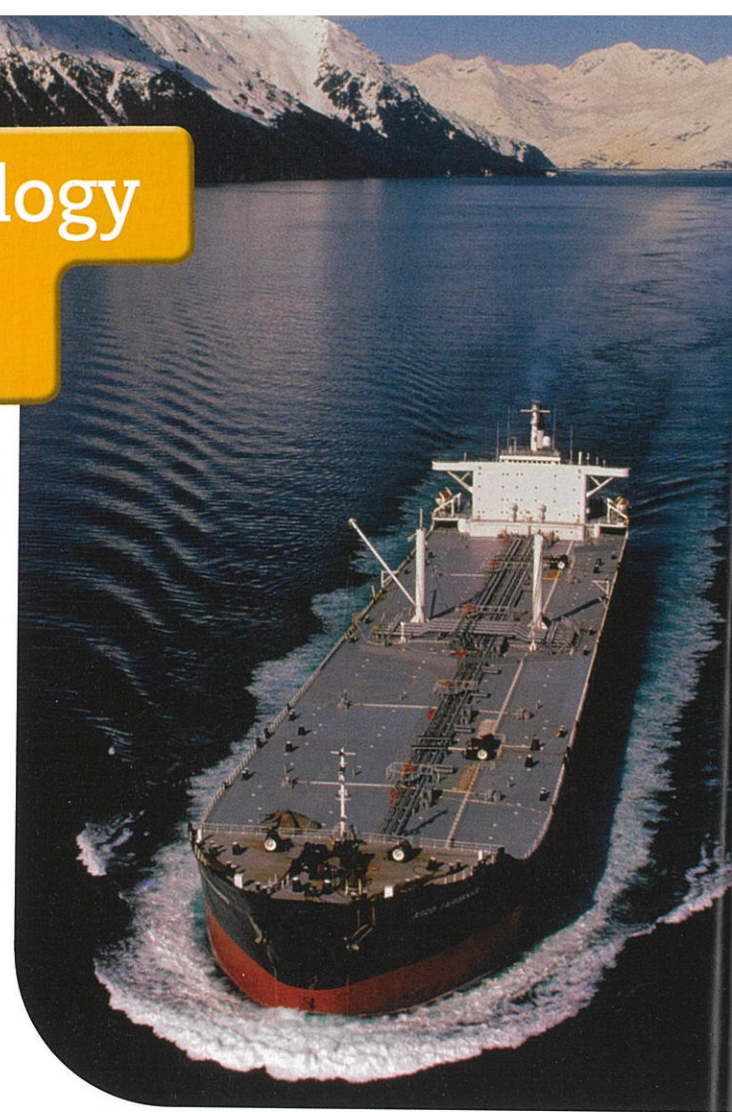
Advances in transport technology have changed the way people view travel and the distance between countries. As a result there has been a huge rise in the movement of people, goods and services over the globe. There are more goods traded now than ever before. This has been an important part of the process of globalisation.

## HOW HAS SHIPPING CHANGED WORLD TRADE?

International shipping involves the movement of goods between countries. The type and volume of goods that can be shipped between countries has increased dramatically due to technological advances. The development of the supertanker made it easier to move oil and liquid cargo and the containerisation of cargo made shipping faster and more efficient than in the past.

Today around 90 per cent of global trade is carried by sea. The structure of the international shipping fleet is shown in 8.19.

8.18 Dock workers used to load and unload cargo from ships piece by piece in what was a time-consuming and labour-intensive activity.



8.17 Super tankers are able to carry large quantities of any liquid, although their main cargo is oil.

8.19 International shipping fleet, 2005

Type of ship	Number in international fleet	Example of cargo
General cargo ships	18 150	Some agricultural products and other goods
Tankers	11 356	Oil and chemical products
Bulk carriers	6 139	Coal, iron ore and other minerals
Passenger ships (ferries and cruise ships)	5 679	Tourists, cars and commercial vehicles
Container ships	3 165	Manufactured goods and products
Other vessels (tugs, icebreakers and research vessels)	1 733	
<b>Total ships in world trading fleet</b>	<b>46 222</b>	

## Containerisation

Container ships carry dry cargo—mostly manufactured goods. There has been a steady growth of containerised cargo since the first container ships were built in the 1960s. These ships are now able to carry more than 8000 containers at a time. Whereas cargo in the past was loaded and unloaded using cargo nets, cranes and substantial labour (see 8.18), today the process involves a large, specially designed port with cranes and storage areas for containers as shown in 8.20.



8.20 Modern dock facilities and containerised cargo have contributed to the growth of world cargo movements.

Large companies have been quick to change to containerised cargo. In 1980 containers represented just 6.3 per cent of world trade. By 2004 they accounted for 26.6 per cent. World container trade is growing at an average annual rate of around 9.3 per cent per year and is expected to continue to rise. Many cities have developed modern port facilities with containerised cargo facilities to cope with this trend.

## TECHNOLOGY AND AIR TRANSPORT

Aircraft movements have increased dramatically since the 1950s. Technology has enabled the development of larger, faster planes that can travel longer distances. These advances have made the movement of goods and people around the world faster, more efficient and cheaper.

The speed of air travel has provided many opportunities for the movement of goods. While it is expensive for large items like televisions and other manufactured goods to be flown from country to country, air travel has become very useful for trading perishable agricultural products and even fish and marine animals between countries.

For countries like Australia, fast, efficient planes combined with efficient cargo-handling facilities and custom operations at airports can mean that perishable items like fresh flowers can be traded easily between

countries. While there are some quarantine concerns and restrictions that will always limit trade, as it gets cheaper in the future air transport is likely to continue to increase in its overall importance in terms of total trade movement.

The idea that the world is getting smaller is an important part of the globalisation process. While air transport has increased in importance and offered new opportunities for trade in perishable items, the growth of tourism into the world's largest industry has been able to occur largely as a result of improvements in air travel. Many countries have sought to develop tourism facilities in order to attract international visitors.

Airline companies are presented with interesting dilemmas as they plan for the future. In 2005, when purchasing new aeroplanes for the Sydney to London flight, Qantas had to choose between two different planes. The plane they chose and the reasons why are outlined in the newspaper article on page 190.

Improvements in air travel have also offered advantages to large companies. They are increasingly able to send their workers around the world quickly and cheaply. Company personnel can travel between offices all over the world to help run the business. Buyers can travel the globe to purchase the goods a company wants at the best price. Business travel is now an important component of global tourism.

## THE LOW COSTS OF MARINE TRANSPORT

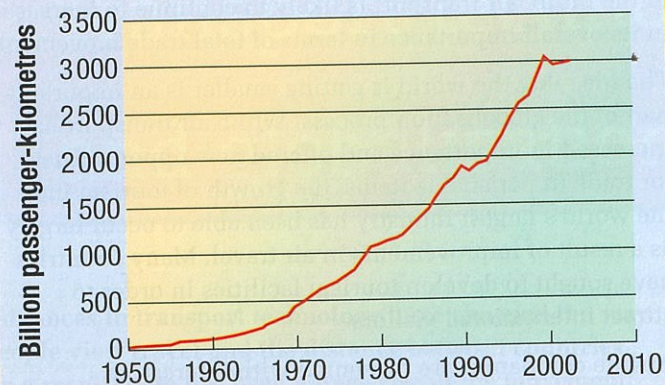
Due to continuous improvements in technology and efficiencies, maritime transport costs are very competitive:

- The typical cost to a consumer in the United States of transporting crude oil from the Middle East, in terms of the purchase price of petrol at the pump, is about half a US cent per litre.
- The typical cost of transporting a tonne of iron ore from Australia to Europe by sea is about US\$12.
- The typical cost of transporting a container carrying over 20 tonnes from Asia to Europe is about the same as an economy airfare for a single passenger to travel the same distance.

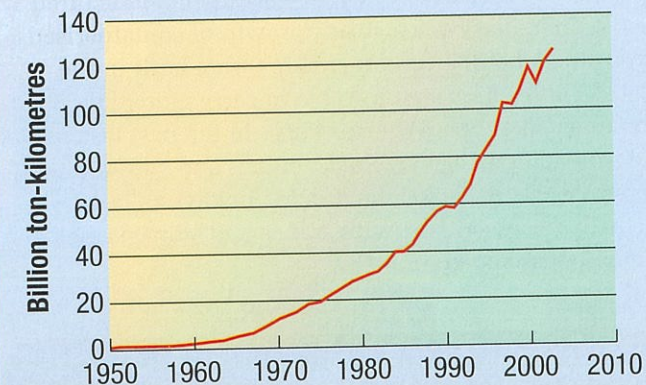
8.21 Typical ocean freighter costs from Asia to the United States or Europe

Item	Unit	Typical shelf price	Shipping cost
TV	1 set	\$700.00	\$10.00
DVD/CD player	1 unit	\$200.00	\$1.50
Vacuum cleaner	1 unit	\$150.00	\$1.00
Coffee	1 kg	\$15.00	\$0.15
Biscuits	Tin	\$3.00	\$0.25

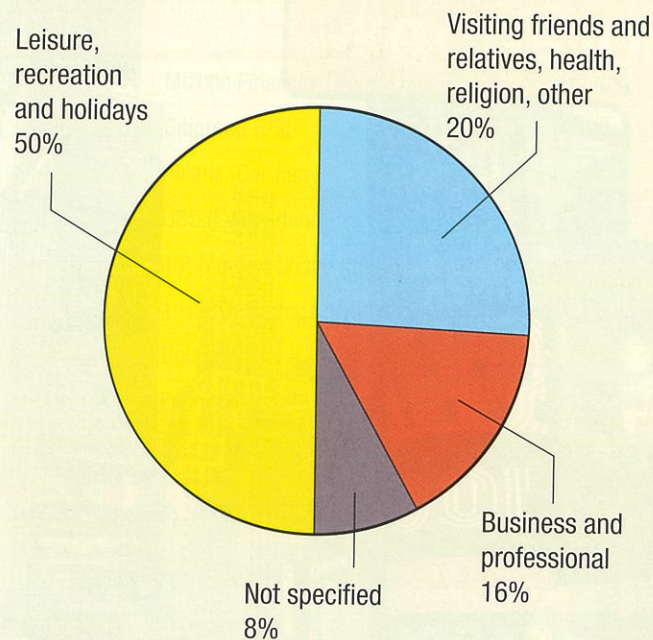
8.22 World air travel by distance, 1950–2003



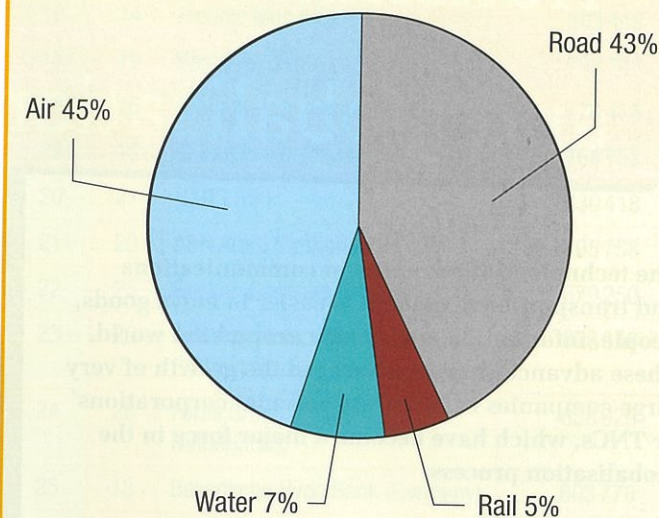
8.23 World air freight carried, 1950–2003



8.25 Reasons for international tourism, 2005



8.26 Methods of travel for international tourism, 2005



**GEOGRAPHY FOCUS**

In 2003, 20 of the world's top 30 container ports (by cargo shipped) were located in Asia.

**NON-STOP TO LONDON A REALITY**



8.24 The Airbus A380 is the world's largest airliner with a 500-seat capacity.

By Alexandra Smith, Transport Reporter

... At last, non-stop flights between Sydney and London could be reality—but only if Boeing can persuade the national carrier to buy its newest plane.

Boeing's latest aircraft, the 777-200 long range, flies in to Sydney today. The aircraft manufacturer has a clear agenda—to sell this jet to Qantas or risk surrendering to its nemesis, Airbus.

Qantas is one of three leading international airlines (the others are Emirates and Singapore) to order 12 of the new super jets, the double-decker 500-seat Airbus A380 ...

The A380, the biggest advance in commercial air travel since Boeing's 747 about 30 years ago, was due to enter service early next year, but it has been delayed by at least six months.

But despite its commercial appeal, the A380 will not provide Qantas with what it calls the 'holy grail' of air travel—

non-stop flights between Sydney and London, or between Sydney and New York.

The A380 may allow Qantas to increase the number of passengers it carries into congested airports such as Heathrow, but the Boeing jet would avoid stops in hubs such as Singapore or Bangkok.

The 777-200LR was first slated as a London to Sydney direct option, with the reverse route unlikely because of tail winds. But it is understood that Boeing is close to improving its new jet's range.

A spokeswoman for Qantas, Jodie Taylor, said that the airline was looking at Boeing's long-haul options as it would with all new aircraft. But it is understood that Qantas is looking at the 777-200LR with renewed interest.

Sydney Morning Herald, 18 July, 2005

**Activities**

**Knowledge**

- 1 Explain what international shipping involves. Use 8.19 to list some of the goods moved by ships.
- 2 How important is the international shipping fleet to global trade?
- 3 Name the most common type of ship in the international fleet. State the cargo these ships carry.
- 4 How has the containerisation of cargo changed the way cargo is loaded and unloaded? What advantage does this have in terms of international shipping?
- 5 Name three ways improvements in air transport have benefited the movement of goods and people around the world.
- 6 How has air travel enabled the trade of perishable goods between countries?
- 7 What restrictions will Australia need to consider as the trade in perishable items increases?
- 8 What is the largest industry in the world today? How have large companies benefited from the growth of this industry?
- 9 Name the jets that Qantas has ordered.
- 10 What is the 'holy grail' of air travel mentioned in the newspaper article?
- 11 What advantage would the 777-200LR have over the A380 aircraft for Qantas passengers?
- 12 State the two aircraft manufacturing companies mentioned in the article.

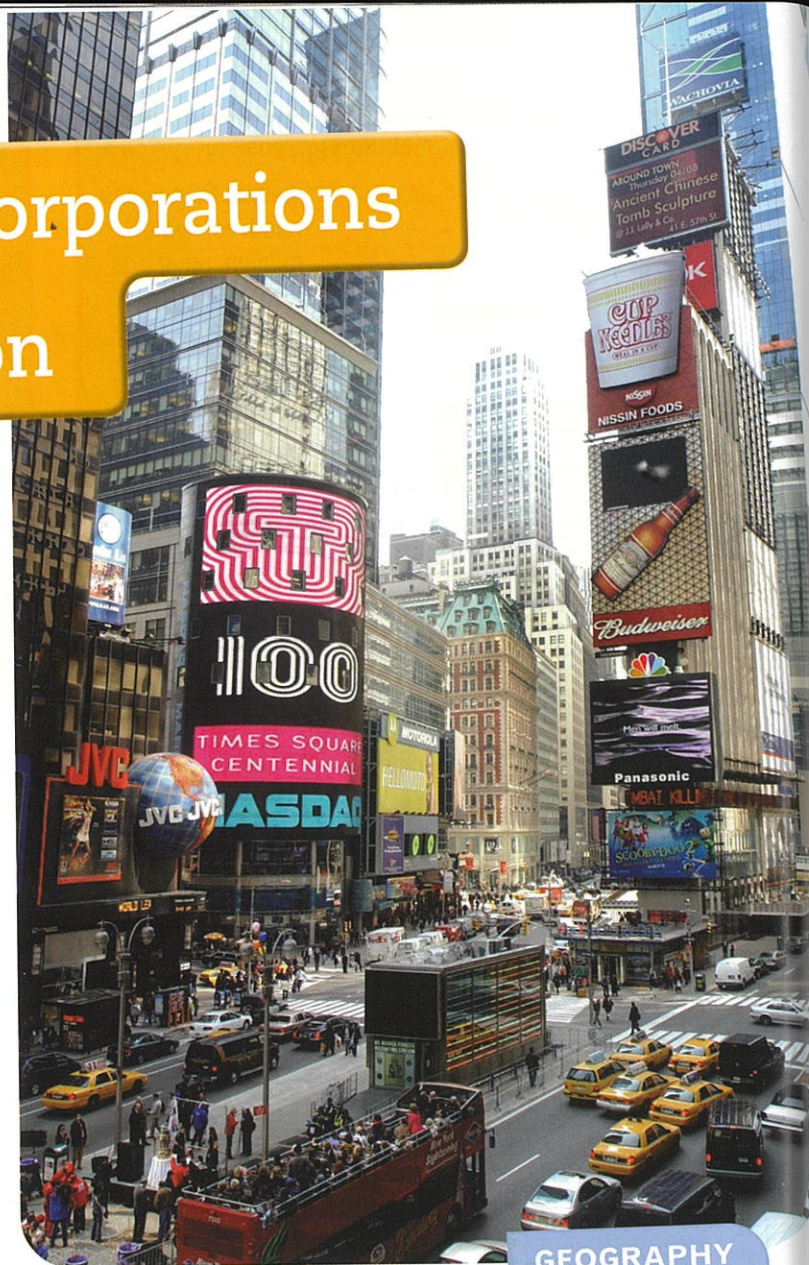
**Skills**

- 13 Refer to the feature on page 189:
  - a Calculate the cost of transporting 1000 tonnes of iron ore from Australia to Europe.
  - b What is the difference in the shipping costs for a TV set and a DVD/CD player? Give a reason for your answer.
  - c What percentage of the typical shelf cost of a TV set would the shipping costs be?
- 14 Refer to 8.22:
  - a State the total air travel by distance in 1990 and 2000.
  - b Calculate the increase in world air travel by distance between 1990 and 2000.
  - c Compare the trend in world air freight carried for the period 1970 to 1980 to the period from 1990 to 2000.
- 15 Refer to the graphs in 8.25 and 8.26:
  - a Name the most common reason for international travel in 2005.
  - b What would business and professional travel involve? Why has this form of tourism been an important part of globalisation?
  - c Why can road travel be a component of international travel?
  - d Which method of travel would you expect to increase the most in the future? Give a reason for your answer.

**Application**

- 16 Discuss the best form of transport for trade between countries in Europe. What are the advantages and disadvantages of road, rail, shipping and air transport?

# Transnational corporations and globalisation



8.27 Billboards in Times Square, New York, advertise some products of the world's TNCs.

## GEOGRAPHY FOCUS

Fifty of the largest 100 economies in the world are TNCs.

TNCs have very complex structures. They take advantage of the resources the world has to offer. A simplified model of a TNC's structure is shown in 8.29. In reality there are numerous factory sites around the world and complex information flows.

TNCs ask many questions when they work out how they will operate at a global level.

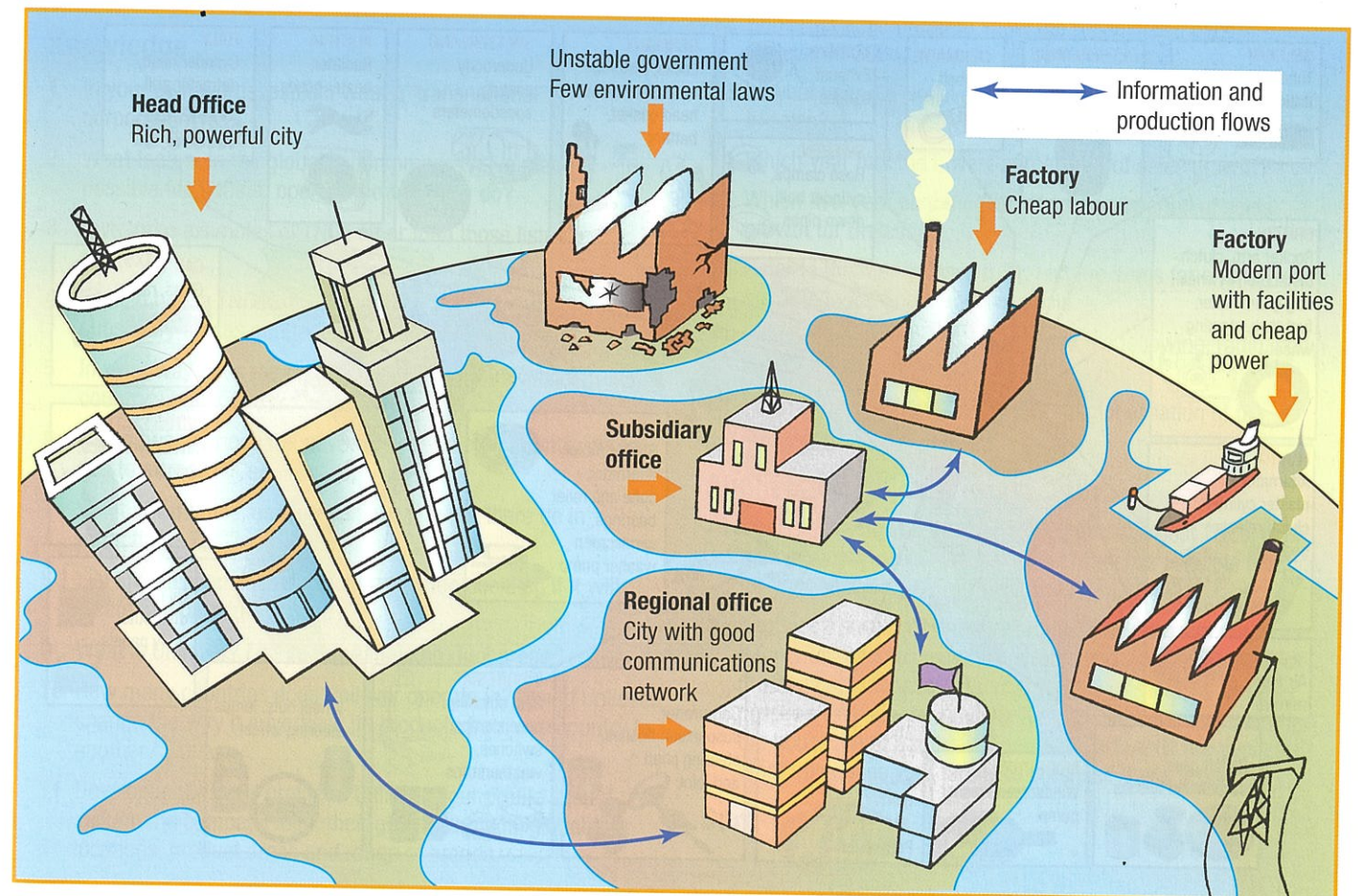
- Where is the cheapest labour located?
- Where are the facilities to produce our products in the most cost-effective way?
- Which country offers the best tax deal?
- Which country has the friendliest government?
- Where is the cheapest land or electricity available?
- Where will we sell our product?

8.28 The world's 30 largest TNCs

Rank 2003	Rank 2002	Company (country)	Fiscal 2003 assets \$US million
1	1	Mizuho Financial Group (Japan)	1 282 589
2	2	Citigroup (US)	1 264 032
3	3	Allianz (Germany)	1 178 643
4	6	UBS (Switzerland)	1 118 553
5	10	J.P. Morgan Chase (US)	1 097 475
6	9	1 HSBC Holdings (UK)	1 034 216
7	8	Deutsche Bank (Germany)	1 011 991
8	4	Fannie Mae (US)	1 009 569
9	7	Mitsubishi Tokyo Financial Group (Japan)	992 695
10	23	Credit Agricole (France)	989 863
11	12	BNP Paribas (France)	986 128
12	11	ING Group (Netherlands)	980 706
13	5	Sumitomo Mitsui Financial Group (Japan)	951 724
14	18	Bank of America (US)	936 680
15	17	Royal Bank of Scotland (UK)	814 227

Rank 2003	Rank 2002	Company (country)	Fiscal 2003 assets \$US million
16	14	Freddie Mac (US)	803 449
17	19	Barclays (UK)	792 743
18	15	Credit Suisse (Switzerland)	770 418
19	16	UFJ Holdings (Japan)	764 752
20	21	HBOS (UK)	730 418
21	20	ABN Amro (Netherlands)	705 758
22	25	Société Générale (France)	679 250
23	22	American International Group (US)	678 346
24	26	Fortis Group (Belgium/Netherlands)	658 929
25	13	Bayerische Hypo Bank (Germany)	603 778
26	24	Morgan Stanley (US)	602 843
27	27	AXA (France)	565 719
28	28	Merrill Lynch (US)	494 518
29	29	Commerzbank (Germany)	480 530
30	30	Lloyds TSB Group (UK)	450 706

8.29 A simplified model of the global organisation of a TNC



## SNAPSHOT

### Unilever—the TNC you've never heard of

Unilever is one of the TNCs involved in the food industry. Its global turnover in 2004 was US\$48.4 billion. Even though you may not have heard of the company, chances are you use their products every day. The company employs 234 000 people in 150 countries. It sells over 150 million products per day and has 365 manufacturing sites across six continents. Unilever owns over 400 global brands spread across three main product areas:

- foods such as Continental, Streets Ice Cream, Magnum, Lipton, Flora
- home care such as Domestos, Omo, Surf
- personal care such as Lynx, Rexona, Dove, Sunsilk.



8.30 The range of Unilever brands available in Australian supermarkets

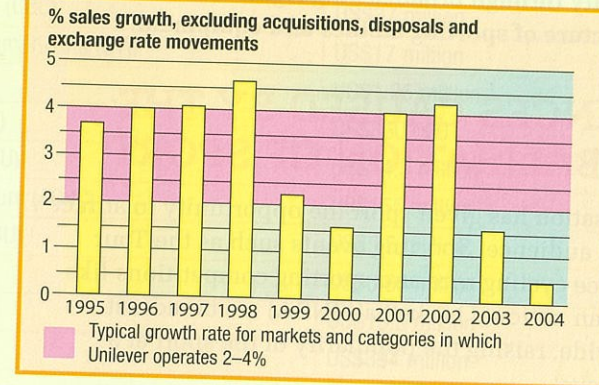
8.32 If shopping in Australian supermarkets, the Unilever brands would typically give you the following number of item choices:

Lipton	13 different products
Continental	30 different products
Streets	16 different products
Flora	8 products
Dove	29 products
Sunsilk	15 products
Rexona	12 products
Omo	8 products

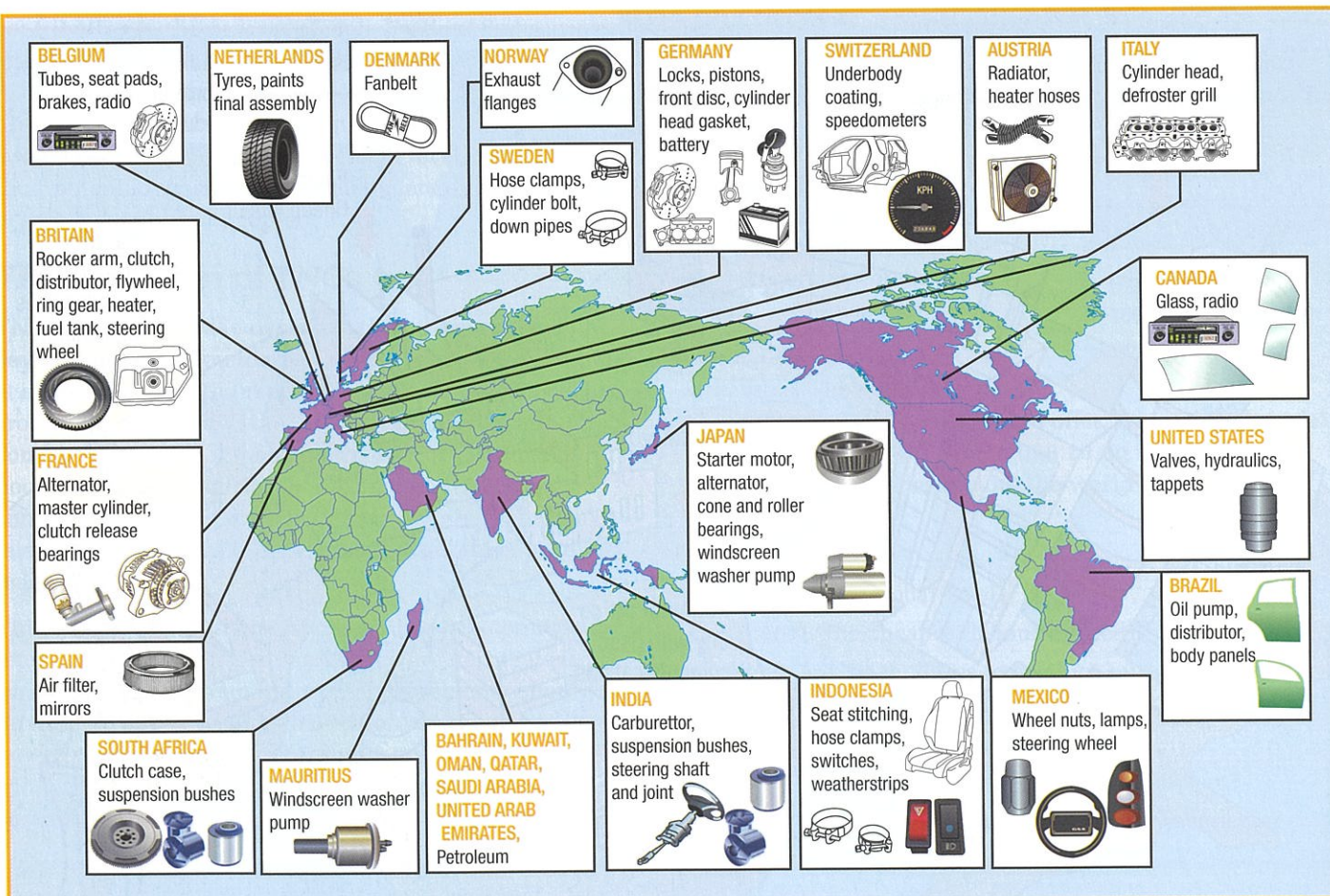
8.33 The regional turnover for Unilever in 2004, in US dollars



8.34 Sales growth for Unilever



8.31 Globalisation and the making of a family car



## Activities

### Knowledge

- 1 In your own words, explain what a 'transnational corporation' is.
- 2 What factors in the globalisation process have made it possible for TNCs to operate the way they do?
- 3 Give three examples of TNCs other than those listed in the text.
- 4 Explain how a TNC runs its operation with a head office, subsidiary offices and factories. Refer to 8.29.
- 5 In what way does the operations of TNCs transcend a country's boundaries?
- 6 Name two methods the government of a poor country could use to attract TNCs.
- 7 What advantages, as a poor country, might there be in attracting a TNC?
- 8 List six questions a TNC would ask when deciding if it will locate in a particular country.
- 9 What is Unilever? List its three main product areas.
- 10 How many countries does Unilever operate in? Would Unilever change the way it advertises its products from one country to another? Explain.
- 11 Develop a company profile of Unilever. Your profile should include the company logo, their global earnings, global locations, product areas and range of brands.

### Skills

- 12 Construct a pie graph to show the regional turnover of Unilever in 2004.
- 13 In what year did Unilever have the largest percentage growth in sales?
- 14 Which year had the lowest percentage of sales growth?
- 15 Which five-year period covers the lowest period of sales growth for Unilever?
- 16 Refer to the family car in 8.31. List the items for a family car made in India, Spain and Indonesia.
- 17 Which country or countries produce the following: radio, body panels, petroleum, hose clamps?
- 18 In what way does 8.31 demonstrate globalisation of the family car?

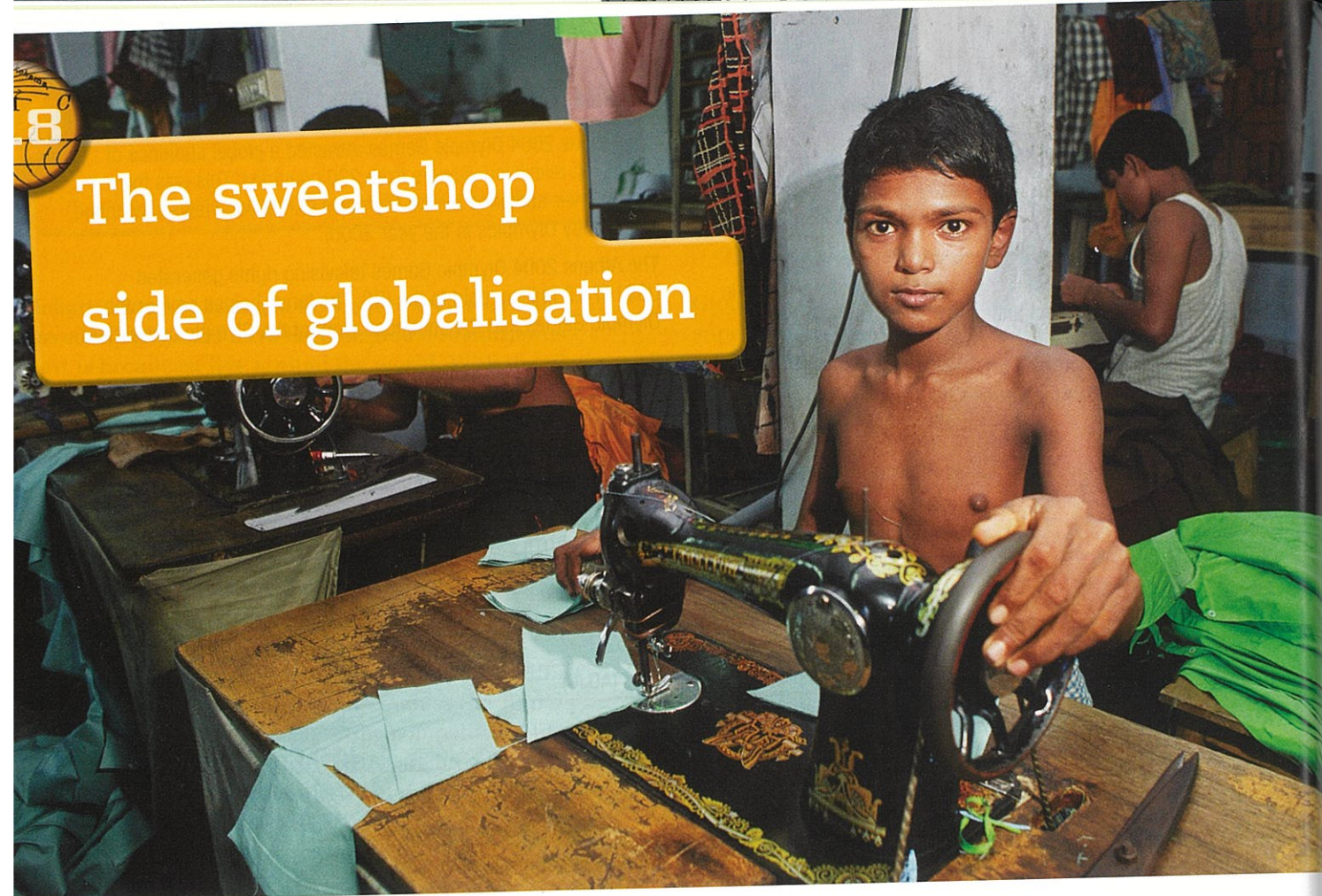
### Application

- 19 Study the table in 8.28 listing the world's largest TNCs. How many companies do you recognise? Discuss possible reasons for your answer.
- 20 Conduct a survey of Unilever products you have in your home. Record your results in a table showing the number of products against each brand. If you have few or no Unilever products, explain the reasons for alternative products being in the house. What alternative products or brands are available? What influences your family to purchase these products?

Surf



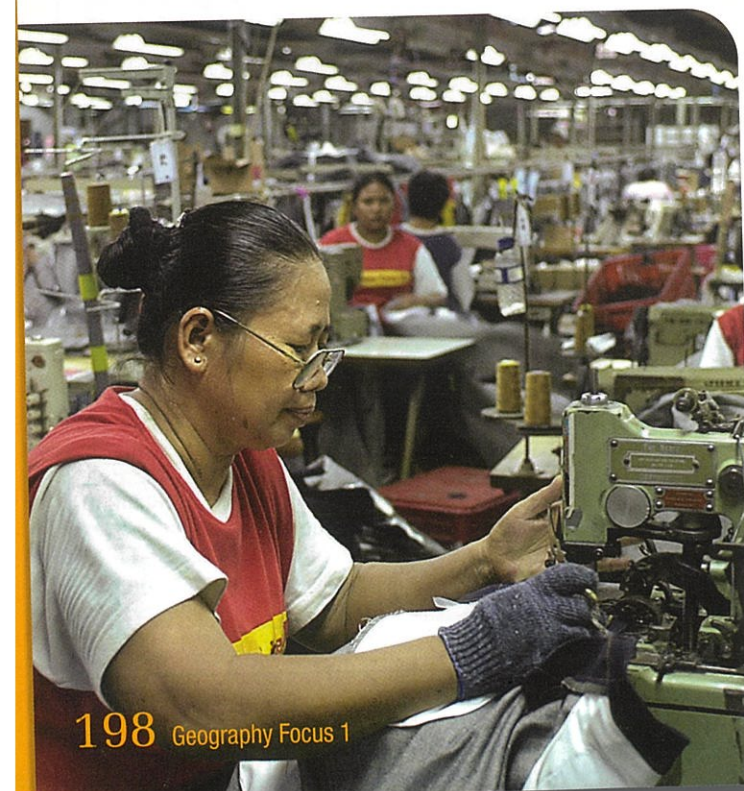
# The sweatshop side of globalisation



8.37 Using child labour is not uncommon in developing countries.

TNCs often use the cheap labour available in developing countries to produce sports equipment, shoes and sports clothing. The factories where these goods are produced have become known as sweatshops due to the poor working facilities and low wages paid to the workers.

8.38 Some TNCs produce items in factories that have become known as sweatshops, such as this one located in Indonesia.



## ABUSE OF WORKERS' RIGHTS

There are some TNCs in the sporting industry that have been guilty of human rights abuses. These companies subcontract the making of clothing and sporting equipment to factories in developing countries. The manufacture often involves a complicated web of materials and production links that ends in products on the shelves of the sports stores in developed countries. These factories have been labelled sweatshops.

Examples of the human rights violations from these sweatshops include paying less than minimum wages to workers, employing child labour in the factories, incorrect payment or failure to pay for overtime worked, harassment of workers by management, as well as poor environmental, safety and health conditions in the workplace.

8.39 Oxfam Australia organised a protest against sweatshops in Martin Place, Sydney. It aimed to raise awareness of human rights violations in sweatshops.



## SNAPSHOT

### Indonesian workers paid well below minimum wage

On 6 April 2005, FNPBI, a respected labour rights group in Indonesia, reported that workers at a Nike contract factory had gone on strike to protest about being paid wages that were far below the legal minimum wage, violating both Indonesian labour law and Nike's Code of Conduct.

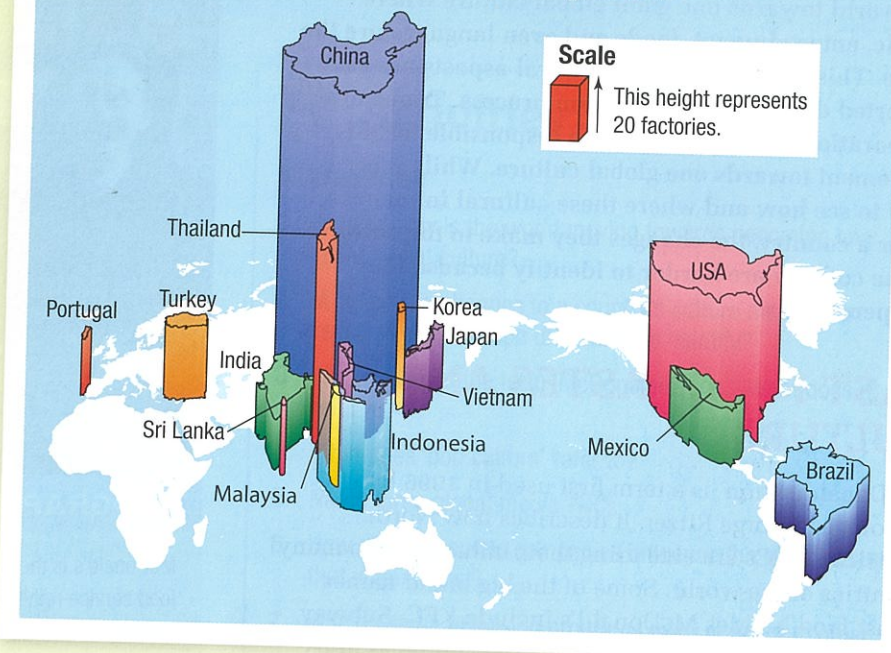
Workers at the factory Didachi Makmur Abadi, owned by South Korean investors, were protesting against the starvation wages. The workers were producing 40 pairs of shoes per hour for the Nike and Puma corporations and were paid US\$47 per month for the work. The minimum wage for this work at that time was US\$72 per month.

Unfortunately this is not a rare case. One week after this information was publicised, Nike's Corporate Responsibility Report stated that in 25–50 per cent of Nike's partner factories (between 175 and 300 factories) workers are paid less than the legal minimum wage.

As a response to these human rights concerns, Nike released a '2004 Corporate Responsibility Report'. Nike already lists its most up-to-date code of conduct on its website. The company aims to have all its factories comply with its code of conduct.

To help ensure this, Nike has listed each of its factory locations and aims to have all of them inspected to check for human rights violations. It is a huge task due to the complex production web of a transnational organisation. Nike is concerned that bad publicity and poor production factory locations could harm its global brand.

8.40 Selected location of Nike factories worldwide. This graph shows the number of factory units Nike had operating in 2004.



## Activities

### Knowledge

- 1 What is meant by the term 'sweatshop'?
- 2 Where are these sweatshops located and why?
- 3 Outline some of the human rights violations that occur in sweatshops.
- 4 Refer to the snapshot of Indonesian workers' conditions.
  - a What law has been broken by paying workers less than the minimum wage?
  - b What is the name of the factory mentioned in the article?
  - c How many pairs of shoes do the workers make each hour?
  - d What is the minimum wage for this type of work?
  - e How much less than the minimum wage were the workers paid?

- f Is the payment of less than the minimum wage unique to this factory?
- g How has Nike responded to these findings?
- h How does Nike plan to ensure that minimum wages are paid in all Nike factories?

### Skills

- 5 Look at 8.40:
  - a List the top five countries for Nike factory locations.
  - b List the two continents that have the greatest concentration of Nike factories.
  - c Explain possible reasons for the global pattern of Nike factory locations shown on the map.

Surf





# Cultural impacts of globalisation

The globalisation of culture is a force that influences us all. Some people argue that globalisation is moving the world towards one giant global culture where music, entertainment, foods and even language are the same. This is because many cultural aspects are easily exported due to the globalisation process. Transnational corporations (TNCs) are largely responsible for this movement towards one global culture. While it is easy to see how and where these cultural influences enter a country, the changes they make to the culture of the country are harder to identify because they happen slowly.

## FAST FOOD TASTES AND CULTURE

'McDonaldisation' is a term first used in 1996 by US sociologist George Ritzer. It describes how North American TNCs are extending their influence into many countries of the world. Some of the big brand names in fast food besides McDonald's include KFC, Subway, Burger King, and coffee shops such as Starbucks and Gloria Jean's. These stores are located around the globe and have an increasing presence in Australia.



### GEOGRAPHY FOCUS

McDonald's is the leading global food service retailer with more than 30 000 local restaurants serving nearly 50 million people in more than 119 countries each day.

8.41 McDonald's and other fast food chains have spread throughout the world, creating a uniform global cuisine.

## ENTERTAINMENT AND CULTURE

The spread of television, movies and music across the world has meant that entertainment interests across countries have also come together in what is known as pop culture. Powerful global media organisations spread pop culture. Companies such as AOL/Time Warner, Walt Disney and Sony now control most of the films, television shows, televised sports events and magazines that we consume. They market their product across the world and export the values of the country they are located in with the entertainment they distribute.

Popular entertainment companies such as Disney have a tremendous global reach in terms of their audience. Once Disneyland was unique to California, but as tourism and the influence of Disney has spread, the empire has expanded and Disneylands have been opened around the globe.

8.42 Theme parks are one force shaping global culture.



## GLOBAL MEDIA STARS THROUGH ANIMATION

### An American family taking on the world

In some cases the values of a country where a TV program originates can conflict with the local religion or culture of places it will be viewed, so adaptations are needed. *The Simpsons* is an example. As the program expanded into the Middle East it had to adapt to Arabic and Islamic culture—Homer changed into Omar, Bart into Bodr, and the show is called *Al Shamshoon*. Other cultural aspects of the show also had to be changed so that it would not offend the local audience.

### The spread of Japanese culture

Pokémon, a cartoon show developed out of a popular Japanese computer game, was created primarily for Japanese audiences. It became a worldwide cultural influence when Nintendo created a computer game based on the Japanese concept. With increasing popularity of the computer game around the world came the opportunity to sell the cartoon to other countries. To do this it became popular around the world as the show was translated into other languages for the global audience.

### GEOGRAPHY FOCUS

In 1982 there were 50 major media companies that dominated the global market. Today there are fewer than 10. These companies produce the music, television, news and entertainment seen around the world. It is estimated that the daily global audience of news network CNN international is in excess of 1 billion people.

## SNAPSHOT

### Global Disney

Walt Disney and his brother started the Disney Corporation in 1923 as a small animation studio. Today it has grown into a giant transnational corporation with a global income of US\$31.9 billion (2005).

In 1955 Walt Disney opened the first and original Disneyland theme park in Anaheim, a suburb of Los Angeles in California. It quickly became a global attraction as people travelled there for the Disneyland experience.

The success of Disneyland is something that the corporation has been keen to export. Today there are five Disneyland resorts located around the globe that attract millions of visitors each year:

- Disneyland, Anaheim, California, USA—opened 1955
- Walt Disney World Resort, Lake Buena Vista, Florida, USA—opened 1971
- Tokyo Disney Resort, Urayasu, Chiba, Japan—opened 1983
- Disneyland Park, Marne-la-Vallée, Paris, France—opened 1992
- Hong Kong Disneyland Resort, Hong Kong, China—opened 2005.

## Activities

### Knowledge

- 1 In what way is the world moving towards becoming one giant global culture?
- 2 Why are the changes to a country's culture made as a result of globalisation often hard to identify?
- 3 Who first used the term 'McDonaldisation'? What does it refer to?
- 4 What does 'pop culture' refer to?
- 5 Name three global media TNCs.
- 6 How do large media companies influence the global culture that is emerging?
- 7 Why do some television programs need to adapt to other cultures as they spread across the globe?
- 8 What changes have been made to *The Simpsons* as it is being televised into the Middle East?
- 9 The number of global media organisations has been steadily falling since 1982. Do you think this is a good thing? Explain your answer.
- 10 Who started the Disney Corporation? What has been the result of the venture since it was formed?

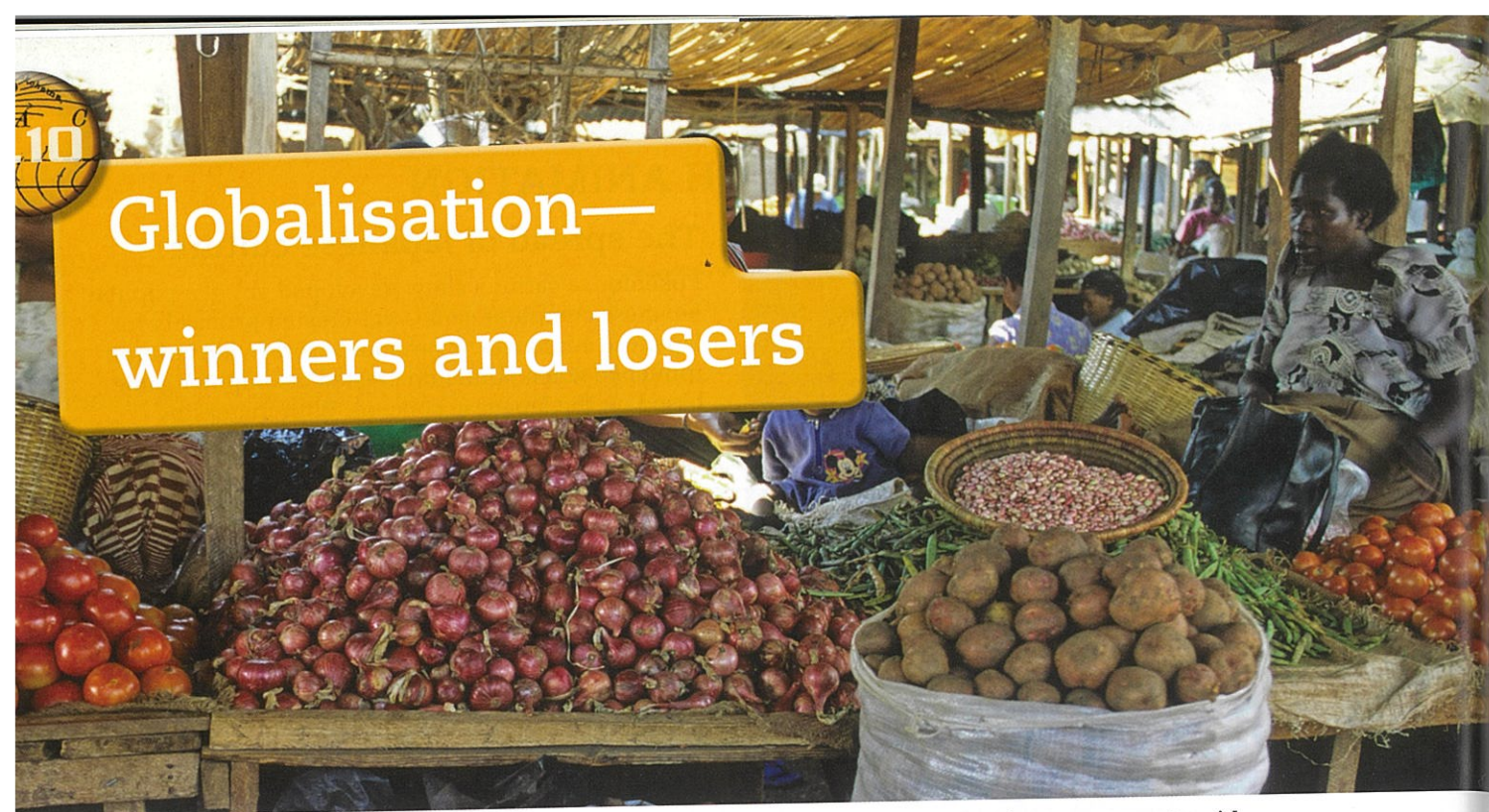
### Application

- 11 As a class develop a list of the advantages and disadvantages of having one large media company such as AOL/Time Warner control so much of the entertainment available to the global audience.
- 12 Use an atlas to map the location of the Disneylands around the world.
- 13 What do you think the 'Disneyland experience' mentioned in the snapshot would involve?

Surf



# Globalisation— winners and losers



Conditions for people across the world are unequal—the gap between rich and poor countries in the world gets wider each year. Globalisation is singled out as one of the main causes of this global inequality.

## AN UNEQUAL WORLD

The growing gap between countries is highlighted by the following statistics.

- 54% of global income goes to just 10% of the world's people, while 40% receive just 5% of global income.
- The richest 50 people on Earth have a combined income greater than the combined income of the poorest 416 million people.
- There are 2.5 billion people in the world today living on less than US\$2 a day.
- According to current trends, 827 million people will live in extreme poverty in 2015.
- The largest 500 transnational corporations account for over 70% of world trade.

## WHY IS THE GAP GROWING?

Trade practices are one of the causes of this growing inequality. The broad pattern of world trade is that the poorer countries export raw materials or agricultural crops while the rich countries export these and a range of expensive manufactured items.

The other feature of world trade is that it is not all fair. Rich countries protect their local industry through a number of different methods, including tariffs, quotas and subsidies. They spend up to US\$1 billion a day on

8.43 African farmers have to compete with cheap imported farm products as a result of subsidies paid to farmers in the European Union.

agricultural subsidies, which help pay farmers to grow food. These subsidies have increased since 1997 by 25 per cent.

Tariffs are also used to control trade. For agricultural imports, such as sugar, rice and dairy products, some rich countries have tariffs of up to 900 per cent. This situation has been made worse by the World Bank and the International Monetary Fund (IMF) requiring the poor countries to remove tariffs in order to get loans.

Another example of unfair trade practices can be seen in the European Union (EU). The EU pays its tomato farmers a minimum price higher than the price on the world market. As a result EU tomatoes 'dumped' into West Africa now make up 80 per cent of the local supply and have nearly destroyed the African tomato industry.

There are a number of global organisations set up to manage these impacts of globalisation. They are working to change trade rules and give loans to poorer countries to help them develop in an effort to reduce global inequality. The changes they have made so far have involved lowering tariffs in an effort to increase trade, bringing wealth into the country. However, rich countries have been slow to remove their trade barriers, further worsening the growing inequality.

### GEOGRAPHY FOCUS

More than a trillion US dollars is turned over each day on global currency markets. Measured as a stack of thousand dollar notes, a million dollars would be 20 centimetres high. A trillion dollars (a million million dollars) would be over 386 kilometres high or more than 40 times higher than Mount Everest.

## 8.44 Organisations involved in the globalisation process

The United Nations was established at the end of the Second World War. It has become a promoter of globalisation, arguing that individual states have a dual role with responsibilities to both their own citizens and to the world.

Established in 1944 at the Bretton Woods Conference, the World Bank provides loans to poor countries for development projects. These include projects such as water and sanitation facilities, natural resource management, and education and health improvements.

Established after the Second World War in 1946, the International Monetary Fund now has 182 member countries. It aims to promote international cooperation on finance, encourage proper systems for exchanging money between countries and provide temporary assistance for countries with high debts.

The World Trade Organization was established in 1995 to administer the rules of international trade agreed to by its 123 member countries. These rules have been ratified by the parliaments of all members. The WTO aims to promote the growth of world trade by the lowering of barriers to trade such as tariffs and import quotas.

### MANAGING THE IMPACTS OF GLOBALISATION


The World Bank is located in Washington, DC. The logo can be seen at the entrance to the building.



## 8.45 Tariffs, quotas and subsidies at a glance


### Tariffs

A tariff is a tax on an imported good. Governments impose tariffs so that their local businesses can compete with cheaper imports.

Bananas	Local bananas	local farmers grow bananas at a cost of \$1.20 a kilogram
	Imported bananas cost \$1.00kg	+ tariff imposed of 30% = \$1.30kg
Result: The local product sells first giving farmers their income.		

### Quotas

A quota is a limit on the number of items imported into a country.

Local farmers produce 3000kg of oranges.	Locals will buy 4000kg of oranges before price falls too low for farmers to earn enough income.	Government imposes import quota of 1000kg of oranges to maintain price of oranges for farmers.
		
Result: Local farmers remain profitable.		

### Subsidies

To keep farmers producing their products governments pay them money. This is called a subsidy. This brings their costs down and lets them sell their products on the world market at a cheaper price.

Result: Farmers remain profitable.

*There are arguments for and against protecting industry through these three methods; however, they remain unfair to people in poorer countries of the world.*



## Activities

### Knowledge

- 1 Describe the broad pattern of international trade.
- 2 List three statistics that suggest the world is an unequal place.
- 3 Give a brief explanation of tariffs, quotas and subsidies and explain why they are considered to be barriers to trade.
- 4 Outline one example of the impacts these barriers to trade have on agriculture in the world today.
- 5 Suggest some possible reasons why the rich countries of the world resist removing their trade barriers.
- 6 Identify the four global organisations involved in managing globalisation and give a brief explanation of their role.

### Application

- 7 Discuss the reasons for a country imposing a tariff on an imported product. List the reasons in your note book.
- 8 Organise a class debate on this topic: 'The solution to world poverty is for all countries to remove tariffs, quotas and subsidies.'
- 9 Imagine you are a tomato farmer from West Africa. Write a letter to the leader of one of the EU nations explaining the impact their subsidies are having on you.

Surf

