


# The EU in the Global Economy

## Online learning

Document identifier				
Lesson	Title	How to proceed?	Time need	
#3	Globalization and global issues	1) <b>Reading material</b> 2) Video1 (Global issues) 3) Video2 (How to prepare a flow chart) 4) Homework – flow chart	cc. 15 mins.	





## 1 INTRODUCTION

In the 21<sup>st</sup> century, globalization characterizes the economy. Globalization as a term is often used but in some cases, people do not know what its real content is. The reason is that this process is very difficult to define. Thus, in this chapter we detail the globalization process. In order to understand the process, firstly we define globalization and determine its advantages and disadvantages.

At the end of this reading material, we give a short insight into anti-globalist movements.



*Global challenges:  
Watch the related video*



*Thus, this lesson aims to describe globalization and help you understand what this term means and be able to assess both its positive and negative side. By the end of the lesson, you will understand the term globalization.*

## 2 DEFINITION OF GLOBALIZATION

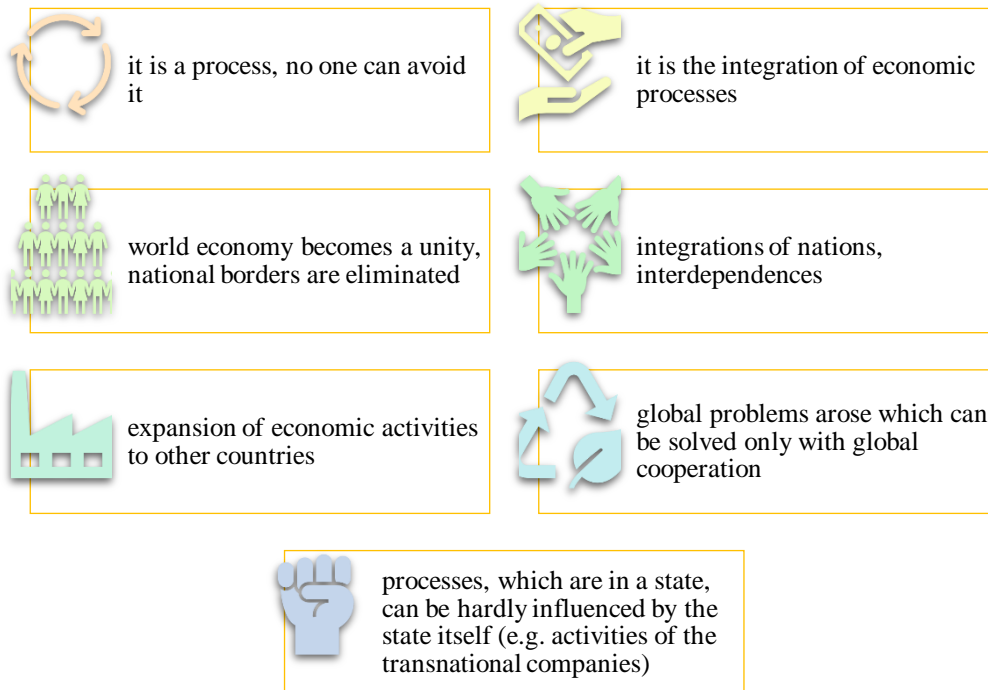
Globalization as a word originates from the word “Globus” referring to the fact that this process affects the whole world. Globalization as a term can be defined in several ways.

### GLOBALIZATION DEFINITIONS

1. *“Globalization is the **process of international integration** arising from the interchange of world views, products, ideas and mutual sharing, and other aspects of culture. Advances in transportation, such as the steam locomotive, steamship, jet engine, container ships, and in telecommunications infrastructure, including the rise of the telegraph and its modern offspring, the Internet, and mobile phones, have been major factors in globalization, generating further interdependence of economic and cultural activities.” (Wikipedia)*
2. *“The **worldwide movement** toward economic, financial, trade, and communications integration. Globalization implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers. However, it does not include unhindered movement of labor and, as suggested by some economists, may hurt smaller or fragile economies if applied indiscriminately.” (Business Dictionary)*
3. *“Globalization is the tendency of investment funds and businesses to move **beyond domestic and national markets to other markets around the globe**, thereby increasing the interconnectedness of different markets. Globalization has had the effect of markedly increasing not only international trade, but also cultural exchange.” (Investopedia)*



Globalization as a broad concept can be characterized by the following features:



We can speak about different aspects of globalization:

### Economic globalization

- Economic integration of and closer economic relations between countries

### Social and cultural globalization

- integration of cultures and the challenges of health issues

### Political and institutional globalization

- growing role of international organizations

### Security

- raises the attention to fight against terrorism

In the followings, we emphasize mainly the **economic aspects**, but one must keep in mind that **the different aspects cannot be differentiated sharply**. Economic globalization means permanent cooperation between the actors in the world economy. The cooperation (and therefore the globalization) can be horizontal or vertical.



**Horizontal** globalization refers to the fact that more and more countries participate in world economy, resulting in deeper cooperation between the countries. **Vertical**

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*Economic globalization: vertical and horizontal globalization*

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expansion of the cooperation means that globalization (and the economic processes) includes more and more fields of the economy.

Besides trade in goods, the economic cooperation covers trade in services, intellectual property rights, free movement of capital, portfolio investment, technology transfer and innovation.

### 3 ENGINES OF GLOBALIZATION

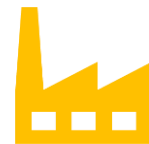
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Globalization is a process, so there are several factors which contribute to its ‘spread’. As main engine of globalization, we can mention the following factors:



**1. Technological development**, and the growing importance of **Information-Communication Technology (ICT)**. As a result of these, it is easy to get information on everything and it became easy to buy goods and services anywhere and at any time. European consumers can get access to American shops, they can order products from the US, and – certainly – the opposite process is true.

**2. Activities of transnational companies (TNCs)** contribute to the spread of business knowledge, management skills, and as a result of their selling activities, consumers can buy a wide range of products. The operation of the TNCs results in higher knowledge on the products. Furthermore, TNCs strengthen the cooperation between nations and dependence on each other. A product is often produced in more countries owing to the TNCs being at the different stages at the value chain.





**3. Opening of isolated** countries resulted in more and more countries which participate in international trade and international division of labor. The isolated countries became new members of the global economy.

**4. Expansion of liberal economic policies** cover that countries try to avoid any restriction on trade and capital movement (see Lesson #5). Owing to the decreasing restrictions and barriers, economic relations between countries closer resulting in growing interdependence.



**5. Integration of international financial markets** resulted in better access to foreign stock exchanges, better and more opportunities to invest.

## 4 ADVANTAGES AND DISADVANTAGES OF GLOBALIZATION

It is difficult to decide whether the globalization is a negative or a positive process. As all coins, it has its own positive and negative side. An impact can be positive for some countries, but analyzing it from other perspectives, this impact can be negative.

On the one hand, **national sovereignty** is decreasing because of the growing importance of international organizations and the growing economic role of transnational companies. On the

*Example:  
national sovereignty*

other hand, national sovereignty became important and countries try to preserve it. Regarding **national cultures**, the positive side of the globalization is that we can get to

*Example:  
national cultures*

know other cultures and we can understand their customs and traditions. However, because of globalization, national cultures and customs are getting “eliminated” and the Americanization

process has started. Furthermore, the USA has an influential political power.



## Advantages



- New opportunities in other countries
- Get to know others
- Trade and financial opportunities
- Scale of economies
- Consumers: wider range of products
- Growing income, standard of living
- New technologies
- Competition
- Force to cooperate globally/internationally (global issues)

## Disadvantages



- Dependence, vulnerability is growing
- Development opportunities are limited
- „United cultures”
- Unequal states – power and periphery
- Economy and material wealth in the focus (environment?)
- Rise of global problems
- Lack of solutions of global problems
- Americanization?

As for the **national development**, globalization may contribute to the economic development of countries (better access to foreign markets, more trade, access to technology and innovation, effective production), but the gaining from globalization is not equal among the countries. Some countries could gain more, while others less. The reasons for this are the ability of participating in international trade, technological level, political structure, level of education and so on.

*Example:  
national development*



## 5 ANTI-GLOBALIZATION MOVEMENTS

In general, anti-globalization movements are processes *against* globalization. The main participants of this movement are political parties, movements, civil society organizations (or called „non-governmental organizations”, NGOs). The movements can be **divided in two smaller groups**. The first group does not accept globalization and they protest for the old world order. In the second group, the movements do not reject the globalization itself but they emphasize that the current trends are not appropriate and different reforms are needed to improve the current world order. As a result, these movements declare alternatives for a better world, for a better society.

### Some examples for anti-globalization movements:

- Poverty issues (World Development Movement, Euromarches/European Marche)
- Trade liberalization (From Seattle to Brussels, Trade Justice Coalition)
- Finance, debt (Jubilee 2000)
- War (Stop the War Now, ANSWER)
- Environment protection (Greenpeace, Friends of the Earth International)

### FAIR TRADE

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. When farmers can sell on Fairtrade terms, it provides them with a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fairtrade offers consumers a powerful way to reduce poverty through their every day shopping. When a product carries the FAIRTRADE Mark it means the producers and traders have met Fairtrade Standards. The Fairtrade Standards are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade.

Source: <http://www.fairtrade.net/about-fairtrade/what-is-fairtrade.html>



## TOBIN TAX

The **Tobin tax** was put forward in 1972 by the Nobel-prize winning American economist James Tobin. Originally, he suggested a tax on all payments from one currency to another. His aim was to curb massive and destabilizing movements of funds between foreign currency exchanges. He proposed that the cash raised should be used as aid for developing countries. The idea has since been extended to cover a tax on all share, bond and currency transactions. Tobin suggested a rate of 0.5%, but other economists have put forward rates ranging from 0.1% to 1%. Even at a very low rate, supporters argue that if it were imposed on all financial transactions across the world, it could raise billions of pounds.

Source: <http://www.bbc.com/news/business-15552412>





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