



Activity 2 Planning Resource

Theme 3

This document provides an example of a plan for one topic within Theme 3. This resource goes into much more detail than is required in the specification but it provides some background to the topic and suggested approaches for planning content.

The approach to planning taken in this document was to:

- Identify the specification content and possible links to other topics in the specification
- Identify resources to support delivery – these might include:
 - Support resources including sample assessment materials and Getting Started guide
 - Published resources including textbooks
 - Websites and news stories
- Identify the **knowledge**, **application**, **analysis** and **evaluation** relevant to that content
- Develop activities and resources – these might include:
 - Multiple choice questions from past papers
 - Worksheets
 - Past and new case studies
 - Practice questions for explain, calculate, assess and evaluate (where appropriate)



Globalisation – Growing economies

This resource sheet is designed to support the A level Economics B specification Topic 3.1.1 *Growing economies*.

Specification content	<p>3.1.1- Growing economies</p> <p>a) Growing economic power of:</p> <ul style="list-style-type: none"> • Asia (China and India) • Africa • other emerging markets <p>b) Implications of economic growth for individuals and firms:</p> <ul style="list-style-type: none"> • trade and rationalisation opportunities for firms • shifting employment patterns <p>c) Rising incomes</p> <p>d) Conversion of nominal to real values</p> <p>e) Calculating and interpreting index numbers</p>
Possible specification links	<p>2.4 Life in a global economy – a first look at this topic in Theme 2</p> <p>2.4.1 The growing economic power of these countries has an impact on investment flows and level of trade</p> <p>2.4.2 Measurement and indicators of growth</p> <p>2.4.3 Trade and growth</p> <p>2.5.4c Increased growth in other economies can be linked to structural unemployment</p> <p>3.2.1 Growing economies can provide new opportunities for firms</p> <p>3.2.2 Growing economies can attract other firms that seek to expand sales or to locate production there.</p> <p>3.3.1 Firms may change their marketing mix to gain access to markets in growing economies</p> <p>3.5.1 Growing economies will have an effect on the global labour market</p> <p>3.6.2 Growing economies reduce poverty levels</p>



Resources

- The IMF, World Bank, Unctad and the UN are all good sources of statistics and data
- <http://www.bbc.co.uk/> remains an invaluable resource
- <https://www.youtube.com/> has many excellent clips
- Quality papers such as The Times, Financial Times and periodicals such as the The Economist often have good articles on globalisation.
- The Raconteur supplement from the Times on the 10/09/2015 'Going Global' is very good and can be found at raconteur.net
- <http://economictimes.indiatimes.com/> and <http://thechinatimes.com/business> are good sources of information.
- It is worth following the reports produced by McKinsey & Company
- The websites of banks such as HSBC or Barclays have useful guides to international business

Knowledge, application, analysis and evaluation

Knowledge

The International Monetary Fund (IMF) defined globalisation as *"The process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies."*

Globalisation is an on-going and accelerating process. It involves the breaking down of economic, social and cultural barriers, between nations and across the globe. It aids the process of economic growth and is linked to growing economic power and rising incomes.

It is characterised by changes:

- There is an increase in the volume of trade as trade barriers are reduced. Increased trade should lead to economic growth.
- There is an increase in foreign investment - funds coming from one country are used to finance projects in another.
- There is increased mobility of labour as people migrate to places where there are job opportunities. This can be an internal or external process.
- There is an increase in government collaboration new trading rules and agreements are thrashed out with trade blocs expanding and being created.

Growing economic power is linked to economic growth and refers to the growing ability of an economy to both consume and produce goods and services. It is characterised by rising real GDP over a given time period.

Nominal income refers to income that is measured in terms of the currency e.g. £26 000. Real income is nominal income adjusted to take into account the effects of inflation. If nominal income rises by 10% and inflation is 3% then real income has increased by 7%.



Index numbers start in a given year called the base year which has an index number of 100. In subsequent years, percentage increases push the index number above 100, and percentage decreases push the figure below 100. An index number of 106 means a 6% rise from the base year, and an index number of 97 means a 3% fall.

Application

Asia (China and India)

- Despite the recent slowing in its growth rate and its negative impact on the global economy, China is still growing at around 7%.
- China is beginning to slow and is perhaps losing some of its previous advantages as its economy develops but Chinese banks and households still have huge amounts to invest globally.
- India's growth rate in 2015 is expected to be around 7.3%.
- More than two-thirds of India's population still lives in rural villages and economic growth is needed to lift them out of poverty.
- Middle class spending in Asia in 2010 was \$4.8tn, by 2030 it will be \$32.6tn.

Africa

- Kenya and Nigeria are amongst the top 6 fastest growing economies in the world.
- Nigeria will soon be established as the continent's biggest economic power.
- Ethiopia, Kenya and Uganda are fast-growing export-oriented economies and not reliant on commodities.
- Kenya is the world's largest mobile payment country, 20% of its GDP passes through a mobile.
- Rwanda is the rising technological hub of Africa.

Other emerging markets

- Mexico is attracting increasing levels of foreign direct investment (FDI), particularly from the car industry as production costs rise in Asia and the attraction of NAFTA increases.
- Mongolia is beginning to exploit its minerals and resources.
- According to the IMF, Nigeria, Pakistan, The Philippines, Bangladesh and Vietnam are the five key emerging markets that will grow the most over the next few decades.
- At the moment GDP in Vietnam is \$188bn, by 2050 it is predicted to reach \$2 555bn.
- Although Brazil is currently the seventh largest economy in the world, it has serious problems with inflation at a 12 year high of 10% and predicted negative growth of -2%.



Analysis

Some see globalisation as a positive force, bringing wealth and development to many countries. It has undoubtedly made billions around the world better off in both financial and material ways. The spectacular growth of economies like China, India, and Brazil is rooted in the steady growth of globalisation. It is also argued that it binds countries together and helps maintain peace and stability.

The growing economic power of Asia, Africa and other emerging markets can mean increased sales for western firms whose products have income elastic demand such as luxury/fashion/hi-tech goods. This can lead to increased sales and profitability, an extension of a product life cycle and an escape from saturated markets. UK fashion brands such as Stella McCartney and Alexander McQueen have done especially well in Asian markets. Many firms should see an increase in sales and profitability with further opportunities for growth and investment.

As countries such as China grow they are more likely to undertake FDI into western markets such as the UK. In the last five years Chinese investment was £18bn, between 2014 and 2015 this is expected to increase to £144bn. This investment creates jobs and wealth in the UK. We also benefit from the increasing numbers of Chinese tourists who spent £497m in 2014. Independent schools and universities are taking increasing numbers of overseas students.

Long established UK industries such as Jaguar Land Rover have been given a new lease of life as Tata, the Indian conglomerate, has taken it over, invested in it and seen sales rise, particularly in overseas markets.

Economic growth should lead to rising incomes and increased employment opportunities for individuals, as well as more choice and better living standards. More trade should lead to more choice, more competition and falling prices. All of which should boost real consumer income.

Rising incomes will affect individuals in different ways. In developing economies it can mean that many escape poverty. China has lifted more people out of poverty than anywhere else in the world, between 1990 and 2005, China's progress accounted for more than three-quarters of global poverty reduction and is the reason why the world reached the UN millennium development goal of halving extreme poverty.



Evaluation

Some see globalisation as a flawed economic model; the dominance of US and European corporate culture across the globe, with a Starbucks and McDonald's on every corner in every country, leads to cultural imperialism. It is seen as a process by which rich western economies exploit less well-endowed nations, with images of low-paid sweatshop workers symbolising all that is wrong with globalisation. Meetings of the WTO inevitably attract protests (sometimes violent) from anti-globalisation supporters.

Not all western firms will benefit from the growing economic power of economies such as China, some will face increased competition as the local Asian firms begin to grow and expand into new markets. Originally from China, Lenovo is now the market leader in personal computers, Huawei is the world's third largest mobile phone producer and from India Infosys is one of the world's biggest IT and software companies but it has now been overtaken by Tata Consultancy Services (TCS). All of these firms and many others have partly grown by taking market share from established western firms.

As these emerging economies grow they consume more resources particularly commodities and energy. This can push up their prices which increases costs for western firms. At the moment the reverse is happening as China's slowdown leads to falling demand and prices for commodities. Mining companies such as Glencore are now in deep trouble as they relied too much on China's continued rate of growth.

In reality, consumer incomes will not all increase and income inequality may rise. China may well have anywhere between one and four million millionaires but there are still 70 million living below the poverty line. Economic growth also has a human toll, it is estimated that 4,000 Chinese die every day from air pollution. 13 of the world's 20 most polluted cities are in India.



Activity 1

a) Using **2010** as the base year, calculate the index numbers for Nicaragua's GDP in the table below.

GDP of Nicaragua					
year	2010	2011	2012	2013	2014
\$bn	8.7	9.8	10.5	10.8	11.8
Index number					

b) Using the index numbers, briefly comment on Nicaragua's economic growth.

c) Now try it again, this time with **2014** as the base year.

GDP of Nicaragua					
year	2010	2011	2012	2013	2014
\$bn	8.7	9.8	10.5	10.8	11.8
Index number					

d) Explain how index numbers can help us make sense of economic data.



Task 2

Complete the table below.

Minimum hourly wage rate UK						
Year	2010	2011	2012	2013	2014	2015
Hourly rate	£5.93	£6.08	£6.19	£6.31	£6.50	£6.70
Inflation rate	3.3%	4.5%	2.8%	2.6%	1.5%	0.1%
% change in nominal income	-					
% change in real income	-					

Task 3 Extended writing

Chinese investors touch down at Manchester's Airport City

Manchester airport is set to be the next slice of British life to get a boost from Chinese investment.

The Industrial and Commercial Bank of China has backed a deal that will mean the £650 million creation of a 160-acre Airport City. The deal for a 15-year development of offices, hotels, apartments, stores, leisure facilities and high-tech manufacturing plants is expected to be announced next weekend when George Osborne leads a trade mission to China.

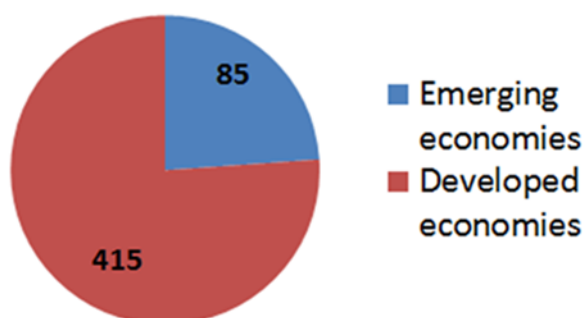
Chinese investors already own or have a large interest in many British companies including water and power companies, oil refineries, Heathrow airport, Felixstowe port, Weetabix and Canary Wharf.

Assess the likely impact on British businesses of China's continued growth.

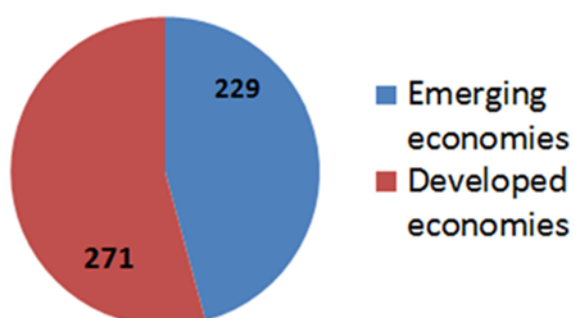


Task 4 Extended writing

Location of the world's 500 biggest companies 2010



Location of the world's 500 biggest companies 2025



By 2025, emerging markets are expected to be home to almost 230 companies in the Fortune Global 500 (the world's biggest 500 companies), up from 85 in 2010

In 2010 there were some 8,000 distinct large companies worldwide with revenues of \$1 billion or more, and three out of four were based in developed economies. It is expected that an additional 7,000 companies will grow to this size by 2025— and seven out of ten of these new entrants are likely to be based in emerging markets.

1. Explain two possible reasons why an increasing number of large companies might want to locate in emerging economies.
2. Assess the impact this trend may have on...
 - a) Individuals
 - b) Firms...in the emerging markets