

### 33. Globalization – (under)development

**Development** = 4 main interrelated features:

- economic progress
- technological improvement
- social, cultural and political freedom
- justice

Sustainable development = long-term development that improve basic standards of living without compromising future living standards => management and conservation of resources.

Countries are divided by WB into:

- *industrial market economies* (UK, USA, Japan)
- *centrally planned economies* (CIS, China)
- *high income oil exporters* (Saudi Arabia)
- *middle income developing countries* (Mexico, Brazil)
- *low income developing countries* (Malawi, Rwanda, Yemen)

No single indicator can give all the information (combinations are used). The most common is GDP/capita (per head).

**PPP** = purchasing power parity, i.e. how much a man can buy for his money (India vs. UK)

**HDI** = the highest in Canada, Switzerland, Japan and Sweden vs. Guinea, Burkina Faso, Afghanistan

#### **Global contacts**

Companies (MNCs) having headquarters in wealthy countries use international disparities in production of their goods = cheap and low-skilled labour in economically LDCs is attractive for TNCs in terms of localizing their production within the countries ⇔

- *costs* of production are lower – cheaper sub-supplies
- *wages* in the „production“ countries are lower – cheap labour
- *taxes* in developing countries are lower sometimes
- high-skilled labour is paid less – lower salaries also for educated workforce compared to developed countries

=> these patterns result in changes of international trade, changes in international division of labour.

#### Examples:

- NIKE, Adidas or Puma have localized production of trainers (shoes) into SE Asia (Indonesia). In developed countries stays only management (headquarters)
- American and European IT firms use skilled workforce in Indian Bangalore or Hyderabad

#### **Keywords**

(sustainable) development, GDP/capita, PPP, HDI, global contacts, international trade