Globalization Essay, Research Paper

In our book globalization refers to the shift toward a more integrated and interdependent world economy. Globalization has two main components, first is the globalization of markets, and second is the globalization of production.

The Globalization of Markets: moving away from an economic system in which national markets are distinct entries, isolated by trade barriers and barriers of distance, time, and culture, and toward a system in which national markets are merging into one global market. Prototypical examples of this trend are consumer products such as Citicorp credit cards, Coca-Cola, Levi’s jeans, Sony Walkmans, and McDonald’s hamburgers. These are not just examples of this trend, but they are also instrumental in facilitating it. By offering a standardized product worldwide, they are helping to create a global market.

The Globalization of Products: trend by individual firms to disperse parts of their productive processes to different locations around the globe to take advantage of differences in cost and quality of factors of production. A good example will be Boeing Company s. Their company’s latest commercial jet airliner, the 777. The 777 contains 132,500 major component parts that are produced around the world by 545 suppliers. Eight Japanese suppliers make parts for the fuselage, doors, and wings; a supplier in Singapore makes the doors for the nose landing gear; three suppliers in Italy manufacture wing flaps; and so on. Part of Boeing’s rationale for outsourcing so much production to foreign suppliers is that these suppliers are the best in the world at performing their particular activity. The result of having a global web of suppliers is a better final product, which enhances the chances of Boeing winning a greater share of total orders for aircraft than its global rival, Airbus. Boeing also outsourcers some production to foreign countries to increase the chance that it will win significant orders from airliners based in that country.

We are moving toward a future characterized by the increased globalization of markets and production. Modern firms are very important in this because their very actions increased globalization.

Reference: International Business, 3rd edition

Charles W. L. Hill, 2000