Learning objectives
In this unit you will:
• understand how different economic systems work
• describe why creativity is important in developing new business ideas
• identify what makes a good entrepreneur and how innovation can benefit the economy
• discuss how governments have invested in technological developments
• identify the positives and negatives of globalisation
• examine the principles of Fair Trade and identify some examples.

Overview
A healthy economy is essential for a country. It means that people have jobs and they are able to afford the things they need. It means that the government has money to spend on road, rail and air networks, health care, education and defence. In this unit you will discover how different economies work, how they are able to interact with each other and how the global economy is becoming increasingly important.

Fact finder
It is estimated that by 2022, the world’s annual GDP (the accumulated value of all finished goods and services produced and traded around the world) will total over US$103 trillion.

Research your own country’s GDP. What has happened to the country’s GDP over the last 10 years? Is it rising or falling? What are the main goods and services that your country produces and trades around the world?

Word cloud
e-commerce  globalisation  glocalisation
niche  startup  transnational

Coffee beans are one example of the many Fair Trade products available. The Fair Trade logo guarantees that the farmers have received a fair price for their products.

This cargo ship is loaded with containers of goods for transportation around the world.

The Middle East region is connected to the rest of the world by a network of air traffic routes.

Imagine you have an idea for a new product. How can you turn your idea into a product that you can sell? Do you need to protect your idea, and how can you do this? What do you need to do to make sure your product is successful? How can you ensure that you make a profit? How can you interest a big company in developing your idea?
What are the different economic systems around the world?

Learning objectives
• Define the term ‘economic system’.
• Identify the main economic systems around the world.
• Assess the advantages and disadvantages of different economic systems.

Every country has an economic system, which determines how goods and services are produced, how they are traded, and how resources are allocated. What are the different types of economic system? What are the advantages and disadvantages of each type? Where can examples of each type of economic system be found around the world?

Different types of economic system
There are four main types of economic system: a traditional economic system; a command (or planned) economic system; a market (or free market) economic system; a mixed economic system.

Read the information in the tables below. Look at the examples of the different economic systems around the world, and the advantages and disadvantages of each type.

### Traditional economy

**What is it?**
This is one of the oldest types of economic system. In a traditional economy, the work that people do and the goods that they produce are the result of long-standing beliefs, customs and traditions. A traditional economy is very simple. People grow and hunt for what they need. They barter for anything they are unable to grow or hunt.

**Advantages**
- The traditions and customs of an area or group of people are preserved.
- Every person has a particular role to play in their community, so society is often very well ordered and close-knit.
- Traditional economies are usually stable and do not suffer from the ‘ups and downs’ of some of the other economic systems.

**Disadvantages**
- The main disadvantage is that people in traditional economies do not have what people in some of the other economic systems take for granted, such as advanced medical care, high education standards and the latest technology.
- Standards of living tend to stay the same and there are few opportunities to earn lots of money.

**Examples**
- Some of the isolated tribes in the Amazon rainforest, many Australian Aboriginal people and Pygmy tribes in Central Africa operate a traditional economic system.
- In the past, traditional economies were found in many places all over the world, where towns and villages traded with each other.

### Command (or planned) economy

**What is it?**
The government decides which goods are produced and how to use and distribute resources. The government controls prices and wages, and sometimes even decides what jobs people will do. This type of economy often develops in a country that has considerable natural resources, such as oil or precious metals. The government intervenes to manage the production of these resources, and controls everything from the land to the equipment and factories.

**Advantages**
- The government controls everything, so there is an equal supply of goods and services for people.
- There are no huge differences between rich and poor people and there is often no shortage of jobs.

**Disadvantages**
- Some people are unhappy with the amount of government control.
- People may be unhappy with the limits on their freedom – for example, they may not be able to choose their own career.

**Examples**
- The Democratic People’s Republic of Korea (North Korea) is an example of a command economy.
- From 1928 to 1991, the Soviet Union operated this type of economic system.

North Korea has a command (planned) economy.
Case study

The Trabant story
After the Second World War, Germany was divided into two countries: East Germany and West Germany. East Germany had a command (planned) economy, while West Germany had a mixed economy.

In East Germany, the Trabant car was almost the only car available to buy. The government controlled the car factories and approved the design and price. The Trabant was cheap to run and easy to repair, but it was noisy and made from cheap fibreglass which burned easily. However, the government did not need to change the design because people bought all the cars that were made.

In 1990, East and West Germany reunited and the new Germany had a mixed economy. Suddenly consumers had many types of car to choose from and no one wanted a Trabant. In May 1991, the company closed and nearly 10,000 people lost their jobs.

Activities
1. In your own words, explain the term economic system.
2. Create a table or diagram to present the main differences between a market economy and a command economy.
3. Create a computer-based presentation for students in a lower grade that explains the four main types of economic system.
   - Keep your explanations short and simple. Do not copy large sections of text from this book.
   - Include examples. Can you find other examples of the different types of economic system?
   - Make your presentation eye-catching and colourful. You could work with a partner or in a small group and share your ideas.
Why do we need creativity and innovation in the economy?

Learning objectives
• Describe why creativity is important in developing new ideas.
• Consider how innovation can benefit the economy.
• Identify what makes a good entrepreneur.

Since the earliest civilisations, creativity and innovation have allowed people, communities and countries to survive, adapt and develop. The human ability to evolve and change has allowed economies around the world to grow and compete with each other. Why is creativity essential? What is an entrepreneur? Who are some of the region’s most successful entrepreneurs?

Why are creativity and innovation essential?
Creativity means looking at things in new ways to make something or to carry out a particular task or job. It is the ability to use imagination to develop original ideas.

Innovation means using information, imagination and initiative to develop a useful product or service that customers are prepared to buy.

Creativity and innovation are needed to develop a product or service that is better than others on the market and therefore more desirable.

Creativity and innovation allow companies and people to...
- create new ways to develop a project or service. Creativity and innovation are needed to develop a product or service that is better than others on the market and therefore more desirable.
- find a niche in the market. Creativity allows people to identify a need for new products or services for a specific group of people.
- ‘think outside the box’. People who think ‘outside the box’ come up with unusual and sometimes ground-breaking ideas and processes.
- reinvent traditional or established products. Creative thinkers look at products and processes that are already successful in an industry. They adapt or combine these ideas to make them even better.

have a competitive advantage. Goods and services developed creatively and innovatively are often unique – nobody else offers the same product or service.

How do creativity and innovation benefit the economy?
Countries that encourage creativity and innovation tend to have thriving economies. An atmosphere of creativity and innovation allows companies and individuals to design new products, change the ways they produce goods and become more efficient. Creativity and innovation allow economies to compete with each other. New technology is designed and developed by creative people, who have ideas and then develop them to make highly profitable industries.

What makes an entrepreneur?
An entrepreneur is someone who has an idea and develops it into a profitable business. Entrepreneurs need to have a special set of skills and characteristics.

Willing to take a risk: New ideas can cost a lot of money to develop. The entrepreneur often has to risk a large amount of money to develop a product or service that might not be successful.

Creative and innovative: Entrepreneurs must be able to think of new ideas and processes.

Shows initiative: Entrepreneurs often need to start a business on their own.

Resilient: Entrepreneurs are not afraid of failing or of meeting with disapproval.

Some of the skills and characteristics that are common among the world’s most successful entrepreneurs:

- Logical thinkers: Entrepreneurs are always looking for ways to make improvements and work more efficiently.
- Versatile: Entrepreneurs are able to change and adapt. This often allows them to save time and money because they make changes and alter ideas as they go.
- Motivated and focused: Entrepreneurs are determined to succeed, hardworking and driven.
How does an entrepreneur develop their ideas into a business?

The diagram shows the stages of developing an idea into a business.

**Stage 1**
- Thinks of an idea
- Identifies an opportunity
- Evaluates its possibilities
- Market research – Is it a good idea? Is it needed?
- Decides to proceed
- Develops idea
- Designs prototype
- Prepares the product/service
- Assesses the risk
- Looks for investment
- Overcomes obstacles

**Stage 2**
- Early stages of the business
- Launches the product/service on the market
- Adapts idea depending on market response
- Needs perseverance and determination to promote the product/service
- Looks for further investment
- Overcomes obstacles

**Stage 3**
- Grows the business
- Looks for new ways to develop it further
- Expands into other areas – products/services that are linked
- Offers the product to a wider market – sells globally
- Continually adapts and refines the idea

**Stage 4**
- Launches the product/service on the market
- Adapts idea depending on market response
- Needs perseverance and determination to promote the product/service
- Looks for further investment
- Continues to refine and improve the business

**Case study**

Who are some of the region’s most successful entrepreneurs?

**Name:** Idriss Al Rifai

**Who is he?** Born in Iraq. Co-founder, with Joy Ajlouny, and Chief Executive Officer (CEO) of the internet delivery company Fetchr in November 2012.

**Starting up:** Al Rifai identified that delivery companies have problems in areas of the world that do not have formal postal addresses. He created a GPS delivery service that uses the same system used by mobile phones to locate a position.

**While working on the idea in the USA, he met Joy Ajlouny who joined him to develop the business. The delivery app works with Google Maps to locate the positions of the collection and delivery points, without the need for a postal address. Fetchr promises to collect your parcel in under 45 minutes.**

**The company today:** The company started in Dubai, with only three employees. Now it employs over 1500 people and operates in the UAE, Saudi Arabia, Jordan, Oman and Egypt. The company has gained funding of over US$41 million to develop further – this is one of the largest investments in a small startup company in the region.

**Name:** Ronaldo Mouchawar


**Starting up:** The company began as an auction site and grew to become an online shopping site – the largest e-commerce platform in the Arab world. By 2017 it had sold over 8.4 million goods, ranging from electronics to baby products.

**The company today:** More than 45 million people visit the site each month. Souq.com operates from the UAE, Saudi Arabia, Kuwait and Egypt, and employs over 2500 people. In 2017 Amazon bought the company for US$580 million.

**Name:** Dina El Mofty

**Who is she?** Born in Egypt. Founder and CEO of the organisation INJAZ Egypt in 2003.

**Starting up:** Dina El Mofty started INJAZ Egypt when she was in her early twenties.

**INJAZ is a not-for-profit organisation that works with schools and universities across Egypt. It trains volunteers from businesses to teach young people about the world of business and how to become entrepreneurs. INJAZ also funds and supports people to start up their own businesses.**

**The organisation today:** INJAZ Egypt is now one of the largest educational organisations in Egypt. Its programmes have so far helped more than 500,000 students and have supported over 60 successful startup businesses.

**Activities**

1. Give three reasons why creativity and innovation are essential in a growing economy. Make sure you explain your answer.
2. Create your own flow chart to show how an entrepreneur develops a product from an idea to a thriving business.
3. Find out about another successful entrepreneur from your region and create a fact file about this person. Include where they are from and how they started. Look at the diagram showing the characteristics of a successful entrepreneur on page 149 to help you write about your chosen entrepreneur.

**Did you know?**

Over US$290 million was invested in 88 startups in the Middle East and North Africa in the first half of 2017 alone.
5.3 Why is technological innovation important?

Learning objectives

• Describe the term ‘technological innovation’.
• Examine why technological innovation is important.
• Discuss how governments have invested in technological developments.

In the last few decades, technology has dramatically changed the ways in which we live and connect to the rest of the world. We use technology in many different ways and for many different purposes. Governments also need to embrace these technological advances so that their economies can continue to thrive. What is technological innovation? Why is it important to the region? What is being done to encourage technological growth?

What is technological innovation?
The word ‘innovation’ comes from the Latin word ‘innovare’, which means to ‘make something new’. Technological innovations are new machines or devices that develop from scientific knowledge. Technological innovation is all around us, but we don’t always notice it because we often take it for granted. When we think of technological innovation, we usually think of things like space travel, driverless cars and the internet. However, not all technological innovation is obvious. Clever gadgets that help to build houses faster, keep our food fresh and provide security in our homes are all types of technological innovation. Technological innovation can be divided into three types: radical, incremental and system.

Radical: This is when a brand-new idea or product makes a huge impact on a whole industry. Radical technological innovations cause significant changes. The development of the internet and social media are examples of radical technological innovations.

Incremental: This type of technological innovation involves continually making small changes to existing products. As a result of these small changes – increments – the product or service gets better all the time. Televisions and games consoles are good examples of incremental technological innovation – every few years they improve in a small way.

System: These technological innovations are much more complex. They require lots of different ideas and many hours of work to achieve. They are large-scale and include systems used in communications, satellites and space exploration.

Case study

A space satellite orbiting the Earth

Innovation in television

A timeline of the development of televisions


Sometimes, all three types of technological innovation are used in the development of one product. The television is a great example. When televisions were first developed in the 1920s, they were a radical technological development. For the first time, people were able to see moving images on a small screen in their own homes. Since then, there were many incremental developments in television technology (from black and white to colour pictures, for example). The next radical development was when televisions started using satellite technology, which allowed people to view a vast choice of channels. This new way of receiving TV programmes was the result of system changes in communications, including the development of space technology and the invention of communications satellites. Incremental developments continue today – television manufacturers regularly release models with new and better features.

The importance of technological innovation to the economy

Technological innovation can bring huge wealth to an economy, so governments often encourage investment in technology industries. Billions of dollars have been invested in mobile phone networks in the Middle East region over recent years. It is estimated that mobile operators across the Middle East are investing US$50 billion in network infrastructure between 2017 and 2021.

The mobile phone industry employs over 300,000 people and contributes over US$194 billion to the region’s GDP each year. The industry’s networks also help to connect communities and provide access to goods, services and banking that, without them, many people would not be able to use.
How are governments developing technological innovation?
Governments try to encourage technological innovation. In order to do this, they need to attract investment in the industries involved in technological innovation.

Research and development (R&D): Governments have attracted skilled people to come and work in the region by offering high salaries and benefits. They have also spent large amounts of money on education in order to prepare young people for work in future industries. There have been huge investments in R&D, which has given smaller companies the opportunity to develop new products. The investment has allowed these companies to take risks that would otherwise not be possible.

Developing the infrastructure: Governments and private businesses have invested in improving internet access across the region, making it quicker and cheaper. Saudi Arabia now has the highest percentage of internet users who are active on Twitter – one-third of internet users use Twitter each month. It is also ranked number 1 in the world for the highest number of YouTube views per internet user. Other services such as road and rail transport have also been improved to encourage large companies to invest in the region.

Technical innovation in the United Arab Emirates
The UAE has spent billions of dollars on developing technological innovation and R&D. Many schools have robotic labs, and the country has been working to develop high-speed bullet trains. The UAE Space Agency has been created to ensure that space exploration contributes to the economy. There is also a US$500 million innovation fund for the development of new ideas.

Technical innovation in Saudi Arabia
Saudi Arabia has ambitious plans to improve its ability to compete globally in technological development. For example, the government is planning to build NEOM City, which will be a transnational city in the Tabuk region of Saudi Arabia. The city is planned to be the size of Belgium. It is named NEOM, from the Greek word ‘neo’ – new – and the initial letter of the Arabic word ‘mostaqbal’ – future. The plan includes a bridge that will span the Red Sea, connecting NEOM to Egypt and the rest of Africa. It is hoped that the city will be a hub for technological innovation, including technologies relating to energy, water, advanced manufacturing, food and medical research. It will include robotic and drone technology, and will use and develop artificial intelligence. It is hoped that it will attract the most talented, creative and innovative individuals in the world.

Activities
1. Produce a mind-map explaining technological innovation.
2. Look at the infographic showing social media usage in Saudi Arabia in 2018. Research similar data for another country in the region and create an infographic to illustrate your findings. How do the two countries compare?
3. Carry out one of these activities.
   a. Find out more about NEOM City and produce an information leaflet about this development.
   b. Research a different place that is investing in technological innovation, such as the ‘Sidewalk Toronto’ project in Canada, which will become Google’s Canadian headquarters. Produce an information leaflet about your chosen project.

Social media usage statistics in Saudi Arabia (KSA), 2018
5.4 What is globalisation?

**Learning objectives**
- Define ‘globalisation’.
- Explore the causes of globalisation.

Our modern world has become increasingly interconnected. The growing interaction and integration between countries and people of the world is called **globalisation**. What are the causes of globalisation? What areas of life does globalisation affect? What is the role of MNCs in globalisation?

**Is globalisation new?**
Globalisation has been taking place for a long time. For example, for many centuries people have bought and sold from people in other parts of the world. Some traders travelled long distances through many countries to trade. They bought goods or raw materials from the places where they were produced to sell in far-away lands. For example, the Silk Road was an ancient network of trade routes that connected Asia to parts of Europe. It was used by traders from India, the Middle East, China and Europe, and played an important role in developing ancient civilisations. Over time, not only goods and raw materials spread around the world, but also traditions, religions, games and even languages.

**Did you know?**
Chess is an early example of the globalisation of a game. Chess originated in northern India in the 6th century CE and spread to the Middle East. The game was very popular in the Muslim world and spread into southern Europe when Spain became part of the Muslim Empire in the 8th century CE.

**What has caused globalisation?**

**Communication**
There have been significant developments in the ways in which we communicate with each other. Mobile phones, email and other communication methods have improved dramatically. It is now possible to send vast amounts of information to someone thousands of miles away in seconds. Interactive tools allow businesses to hold ‘virtual’ meetings with people from all over the world without anyone having to travel.

**Transport**
Transporting goods around the world has been made easier and cheaper. In many parts of the world, road and rail networks are excellent, so goods can easily get to where they need to be in a short time. Large container ships and cargo planes can carry vast quantities of goods around the world. The cost of transporting them on such a massive scale has also fallen. Perishable (fresh and fragile) goods such as fruit, vegetables and flowers can be transported to markets thousands of kilometres away from where they are produced.

**Removal of barriers**
The movement of goods can create wealth to support a growing economy, so most governments encourage trade. Removing barriers such as high charges on imported goods increases globalisation because it ensures that goods and services can move cheaply and easily into and out of a country.

**Labour and rules**
People in some countries are prepared to work for lower wages than in others. Legal restrictions regarding safety and working conditions are also less strict in some countries. Lower labour costs and cheaper running costs mean that companies can reduce their overall costs and become more competitive and achieve higher profits.

Examples of crops that were first grown and harvested in North and South America, but are now produced and traded globally: cacao, maize, tomato, potato, vanilla
Is globalisation just about buying and selling?

Globalisation mostly refers to economic connections between countries, particularly trade. But it also refers to the social, cultural and political ways in which the world has become one big interconnected community of people.

Economic: Large companies trade from one country to another. They employ huge numbers of people. Often these companies try to operate in the same way all over the globe. For example, they might offer the same products, with the same packaging and the same adverts.

Social: Global connections link people and places via social media and the internet. Children in Abu Dhabi or Cairo can connect with children in London to compete in the same computer game. People can travel globally for business or holidays and even migrate to work and live in different countries.

Cultural: Increased interactions between people and countries can result in global exchange of beliefs and cultures, which leads to greater understanding. For example, people can experience a greater variety of types of food and music.

Political: Countries can work together and combine their resources on programmes to protect the environment and improve the quality of life of people in need. Some laws and standards are international and are applied globally, for example copyright laws and food safety standards.

The role of multinational corporations

Countries buy and sell products and services from each other and so they have become part of the global market. If you look closely at product labelling, you may discover that the clothes or shoes you are wearing are made by a large company in another part of the world. This company may have offices, design departments, factories, warehouses and shops in several different countries. These companies are known as multinational corporations (MNCs) or sometimes transnational corporations (TNCs). They often have their head offices in richer countries and their factories in poorer countries where they can make their products more cheaply because wages are lower. Some MNCs are so large that they make more money in a year than the annual GDP of some entire countries. Coca-Cola, Apple and Adidas are examples of large MNCs. The US fast-food chain McDonald’s is another example – it has over 25 000 restaurants in more than 120 countries.

Case study

Emirates: a multinational example

The Emirates Group is made up of Emirates Airlines and dnata (Dubai National Air Transport Association), which operate airport services and a hotel group. It is owned by the Government of Dubai and consistently reports high annual profits. Since its first flight from Dubai to Karachi in October 1985, Emirates Airlines has become one of the world’s fastest-growing airlines. It has made agreements with many other airlines allowing it to operate all over the world. It currently flies to over 100 cities in 62 countries across six continents. Emirates employs 10 000 cabin crew from 120 countries. Between them they speak 80 languages! In 1998 the company paid US$70 million for a 40 percent stake in the Sri Lankan airline Air Lanka.

Did you know?

The Emirates Group bought the naming rights for the new Arsenal Football Club stadium in London, built in 2006. In 2012 Emirates and Arsenal made a new deal, worth US$190 million, agreeing that the stadium will continue to be known as the Emirates Stadium until 2028.

Activities

1. Write your own definition of the term globalisation.
2. Explain some of the main reasons for the increase in globalisation.
3. Create a presentation to explain that globalisation involves more than just trade. Include examples of each of the ways in which countries have become interconnected.
4. Research another multinational company. Produce an ‘About us’ page for the company’s website to explain what it does and where it operates.
What are the positives and negatives of globalisation?

Globalisation is having a dramatic effect on the world we live in. It influences and affects world economies and people’s lives in both positive and negative ways. What are some of the benefits and problems of globalisation? What are some examples of glocalisation?

### Positives and negatives of globalisation

**Positives**
- People are more aware of issues that affect the whole planet. Countries can tackle global issues such as climate change together.
- Large companies provide jobs and improve local economies.
- There is greater competition, which is good for consumers. Competition drives down the prices of goods and services.
- Improvements in the economy can lead to development of education, health care and other services.
- People are now able to move freely around the world in search of new homes, jobs and opportunities.
- Countries can work together and support each other in times of need. After a major earthquake or other natural disaster, the ‘global community’ can work together to support the people affected.
- People can experience different traditions, foods and products that were not available in the past.
- People can share ideas and knowledge. They can learn about other people in the world.

**Negatives**
- Globalisation mostly benefits people in rich countries. These countries control most of the world’s trade. Poorer people provide the labour force that makes the traded goods.
- If an MNC decides it is no longer benefiting from operating in a country, it may close factories and so people lose their jobs. This can have a devastating effect on the country.
- Poor countries often do not have strict laws concerning the environment or health and safety. Some people work in difficult or unsafe working conditions and receive low wages. Companies operating in these countries sometimes pollute the environment.
- Sometimes there is a negative cultural impact. Influence from other cultures can change traditions, lifestyles and languages.
- Investment from an MNC does not always mean that the local economy benefits. Profits are usually sent back to the richer countries. For example, large hotel companies in Thailand may employ local people, but the profits go back to the country where the hotel chains are based, such as Germany or the UK.

### What is glocalisation?

As companies grow, they introduce their products and services into other countries around the world. They open offices overseas and employ people from different cultures and backgrounds. This means that the companies benefit from a wide range of ideas and approaches from their multicultural staff.

Often these companies make changes and adapt their products and services for the local population of each country where they operate. These adaptations are often required to meet local customs, tastes and languages. Different countries also have their own laws such as health and safety regulations, which must be followed.

Adapting global products for a local market is known as glocalisation (a combination of the words ‘local’ and ‘globalisation’). Adaptations can include changes to product ingredients, different styles of packaging, alternative advertising and methods of communicating with customers.

For example, the Switzerland-based food and drink company Nestlé produces a drink called Milo. Made from cocoa and malt, this drink is very popular in Australia, New Zealand, Malaysia, Thailand and South Africa. Nestlé has created 60 different variations of the drink to meet the demands of different consumers around the world. In South Africa, for example, the drink has a herbal smell and tastes more malty. In Australia, the drink has a much milkier flavour, while the new Canadian version is sweeter than other varieties.
Case study

McDonald’s and Coca-Cola: examples of glocalisation

McDonald’s is a huge MNC that operates in over 120 countries around the world and serves more than 70 million customers a day. To ensure that it can operate in as many countries as possible, it adapts its products to meet customers’ needs.

- In some countries, the burgers are adapted to meet local tastes. For example, in Indonesia, McRice is on the menu, while the Greek Mac was created for Greece and Cyprus. The burger is served in a pita wrap with yoghurt sauce.
- Beef is removed from the menu in Hindu countries.
- Pork is removed from the menu in Muslim countries.
- Uniforms are altered depending on local culture.
- Sometimes the store fronts are designed to fit in with local architecture.
- Different restaurants celebrate different festivals. For example, during Ramadan, some McDonald’s restaurants offer iftar buffets.
- The Ronald McDonald clown character is used in many countries to represent the company. In France, McDonald’s uses Astérix (a popular French cartoon character) instead to try to increase sales in that country.

Coca-Cola has a famous curved glass bottle, but in El Salvador customers did not want to pay the extra deposit for returnable glass bottles. To solve the problem, Coca-Cola designed a special branded bag that does not cost any extra. The bags are biodegradable, which means that the plastic breaks down into a harmless state that does not damage the environment. The ‘Coca-Cola bag’ has been a huge success in El Salvador and has spread to neighbouring countries.

Did you know?

Nestlé sells its products in over 191 countries. It has 418 factories in 86 countries and employs over 323,000 people. Based in Switzerland, it is the world’s largest food company, selling over 2000 different brands, from pet care to baby food and diet products.

Activities

1. a Write down two positives and two negatives of globalisation.
   b What do you think? Do you think globalisation is a positive or a negative thing? Or is it both positive and negative?
2. What is meant by the term ‘glocalisation’? Why do you think it is important?
3. Choose a company and write a paragraph to explain how it has adapted its products for local markets. You may choose McDonald’s or Coca-Cola or a different company. Have this company’s attempts to adapt its products always been successful?
5.6 What is Fair Trade?

Learning objectives
• Describe what is meant by the term ‘Fair Trade’.
• Examine what makes a Fair Trade product.
• Recall examples of Fair Trade products.

To try to develop a fairer trading system, an organisation was set up called Fair Trade. What is Fair Trade and how does it work? Where does Fair Trade operate and what are some examples of Fair Trade products?

Why is Fair Trade necessary?
Some developing countries have benefited greatly from global trade, which has brought jobs and investment. Levels of poverty have been reduced in China, India, Uganda and Vietnam, for example. However, there have been fewer benefits in some other parts of the world. As globalisation increased, some MNCs were able to buy large quantities of the produce grown in one country and distribute it elsewhere to make profit. Sometimes the workers who grew and harvested the produce were not treated fairly. They were paid low wages and were expected to work in harsh conditions.

What is Fair Trade?
Fair Trade is a social movement with two main aims: to help producers in poorer developing countries achieve better trading conditions and to promote sustainable farming. Achieving these aims helps to reduce poverty, reduce climate change and change people’s lives for the better.

The basic principles of Fair Trade are listed below.

1 Create opportunities for economically disadvantaged producers: The organisation supports small producers to earn a secure income
2 Transparency and accountability: Communication is open. Employees, members and producers are involved in decision-making.
3 Fair trading practices: Trade promotes the social, economic and environmental well-being of small producers.
4 Fair payment: The organisation and producers agree on a fair price.
5 No child labour and no forced labour: The organisation complies with the UN Convention on the Rights of the Child, and with local employment laws.
6 Non-discrimination and gender equality: There is no discrimination in hiring, training or promotion practices based on a person’s race, caste, national origin, religion, disability or gender.
7 Good working conditions: The organisation provides safe and healthy working conditions for all.
8 Developing skills and capabilities: The organisation develops the skills of its workers and suppliers.
9 Promoting Fair Trade: The organisation raises awareness of the aims of Fair Trade.
10 Respect for the environment: The organisation uses sustainable raw materials, renewable energy when possible, and recycled or easily biodegradable packaging materials.

When consumers buy Fair Trade goods, they know that the goods have been produced according to these principles.

The Fair Trade label
Organisations and companies must follow the Fair Trade principles in order to be able to label their goods as ‘Fair Trade’. When a product is marked with a Fair Trade label, consumers know that:
• a fair price has been paid to the farmer or producer for this product
• opportunities to improve living standards have been provided in the community where the product was grown or made
• there are opportunities for the large company to put money back into the community by supporting projects.

Did you know?
Fair Trade products are becoming more popular and widespread and include tea, coffee, sugar, chocolate, cotton and even gold.

There are several different Fair Trade organisations, each of which has its own Fair Trade label design. Fair Trade labels show that the product satisfies the strict Fair Trade principles.
Fair Trade products – the growing demand
Fair Trade is a growing industry in the region. People want products that are grown and produced fairly. Many companies now supply Fair Trade products to meet demand in the region.

The Raw Coffee Company
This company is based in Dubai and specialises in rare, exotic premium coffee from countries including Ethiopia, Guatemala and Mexico. It imports coffee that is ethically sourced. The farmers and their families are treated fairly, earning enough money to have a good standard of living. The company pays extra on top of the market price for the coffee beans to help farmers sustain their crops and invest in their communities. Managers visit the farms annually to check on crop quality and on conditions for the farmers.

L’Occitane
This French beauty brand has outlets in over 90 countries. It is committed to respecting the planet and ensuring that its products have a low carbon footprint. It has an ‘equitable label’ based on the company’s commitments:

- Ethics: L’Occitane believes that it guarantees its suppliers of ingredients a fair price and fair wages.
- Social: The company ensures that working conditions are safe and dignified. It also works hard to ensure that local communities benefit.
- Health and the environment: L’Occitane makes sure that medical resources are available to the communities that supply the company. It makes sure that its ingredients are grown sustainably to help protect the environment.
- Development: The company tries to ensure that producers can sustain production for future generations.

L’Occitane uses ingredients such as shea butter, argan oil and orange blossom from Burkina Faso and Morocco. It only uses ingredients produced to Fair Trade standards. For example, in Burkina Faso, it is common for women to harvest the shea nuts and produce the butter, so L’Occitane has set up women’s co-operatives to ensure that they are treated fairly and receive a fair wage. Today, around 17,000 women work in these co-operatives. Thanks to their increased income, most of these women are able to contribute to their family finances.

Activities
1. In your own words, define the term Fair Trade.
2. Produce a poster explaining the most important rules that a company must follow to be able to use the Fair Trade label on its products.
3. Find out about a Fair Trade product that you use. Produce a fact file about how it is made and how the company makes sure it is a Fair Trade product.
4. Work in a group to discuss your opinions of the Fair Trade system. Is it a good idea? Should all products be Fair Trade? Does Fair Trade influence your choice of which product to buy?
Review your learning

Test questions

1. Which of these is not a type of economic system?
   - a. traditional
   - b. commercial
   - c. market
   - d. mixed

2. The Democratic People's Republic of Korea is an example of:
   - a. a planned economy
   - b. a traditional economy
   - c. a market economy
   - d. a mixed economy

3. Creativity and innovation do not:
   - a. allow people and companies to ‘think outside the box’
   - b. allow companies to reinvent products and services
   - c. give companies a competitive edge
   - d. prevent a company from growing

4. The correct spelling of the word for ‘someone who develops an idea and profits from it’ is:
   - a. entrepreneur
   - b. entreprener
   - c. entrapenuer
   - d. enterpreneur

5. The three types of technological innovation are:
   - a. radical, incremental, system
   - b. vertical, inclemental, science
   - c. radical, intramental, social
   - d. racial, investment, solid

6. A ‘startup’ is:
   - a. a device that starts a car engine
   - b. a company that sponsors a new business
   - c. a company that is just beginning to grow and is looking for investment
   - d. a computer program

7. The term ‘globalisation’ means:
   - a. the way that the Earth spins on its axis
   - b. the ways in which people within a country contact each other
   - c. the process in which the people of the world have become more interconnected
   - d. the process of buying and selling products to other companies abroad

8. The increase in globalisation is not caused by:
   - a. improvements in transport
   - b. improvement in communication
   - c. ease of movement of goods and services across country borders
   - d. warfare

9. Which three of the following are positive aspects of globalisation?
   - a. sharing of ideas and knowledge
   - b. countries working together and supporting each other in times of need
   - c. large companies controlling most of the world's trade
   - d. countries tackling global issues, like climate change, together

10. When you buy a Fair Trade product, you know that:
    - a. it is made of eco-friendly materials
    - b. it was grown in one country and sold to another
    - c. it was made using local materials or ingredients
    - d. the producer has received a fair price

Assessment activities

1. Find an example of a traditional economic system. Write a brief outline of how it works and give some examples.

2. Find out more about the Trabant car. Draw an outline shape of the car and inside it write as much information as you can about the Trabant company. Make sure you include as many facts as you can. You may want to colour code your facts and put them into categories such as ‘Important dates’, ‘Key words’, ‘Popularity’, ‘Decline’.

3. Write a job advert for a company of your choice that is looking for a new member of the team. The candidates need to have entrepreneurial skills. What should you include in your advert?

4. Choose a technology product other than the mobile phone and produce a short report about it. Your report should include: improvements to the product over time; how the improvements have been made; the benefits of the product to society; the possible future of the product.

5. Globalisation is about more than trade. The world is also interconnected socially, politically and culturally. For each of these types of connection, think of an example and explain the links between countries. Consider the positives and the negatives.