

# Nature and extent of globalisation economics essay



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Globalisation in layman term, is commonly understood as the spread and connectedness of production, communication and technologies across the world. The International Monetary Fund defines globalisation as ‘ the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology’. Globalisation involves the exchange of culture, practices and technologies. It is more than internationalisation, thus has powerful economic, political, cultural and social dimensions. There are three main indicators of globalisation. These are international trade, the transfer of money capital and the movement of people between countries.

Retail is the sale of goods and services from individuals or business to the end-user. Retailers are part of the supply chain. There are different types of retailers, such as department stores, discount stores, warehouse stores, convenience stores, hypermarkets, supermarket, malls and e-tailers. The retail industry can be divided into several strategic groups from small to super scale. Among all these strategic groups, Tesco, Carrefour, Wal Mart, Metro AG and Kroger are global top five retailers that have similar business models or similar combination of strategies.

The aerospace industry includes authorities and companies involved in the manufacturing, operating and maintenance of aircraft, engines and aircraft equipments. There are different civil aviation stake holders, such as governments (Federal Aviation Administration, United Kingdom Civil Aviation Authority, Civil Aviation Administration of China), airlines (British Airways, Cathay Pacific Airways, United Airlines), maintenance repair organisations

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(Hong Kong Aircraft Engineering Company, Singapore Aircraft Engineering Company), manufacturers (Boeing, Airbus, Rolls Royce), and private aircraft owners. The aviation industry can also be divided into several strategic groups which cover a large scope of business. Among all these strategic groups, Pratt & Whitney, General Electric, CFM International and Rolls Royce are global top four civil aero engine manufacturers that have similar business models or similar combination of strategies.

PESTEL analysis stands for ' Political, Economic, Social, Technological, Environmental and Legal' (Appendix Table 1). It is a tool to conduct a strategic analysis and provide an overview of the different macro environmental factors that the company has to take into consideration to formulate the company strategy. In this portfolio we will focus on China Political, Economic, Technological in the areas of retail business and civil aviation.

China with a population of over 1.3 billion is the world's most populous country. China is the second largest country in the world by land area. Its total area is around 9,600,000 square kilometers. Since the economic reforms in 1978, China has become the world's fastest-growing major economy. In 2012, China becomes the world's second-largest economy, after the United States. It is also the world's largest exporter and second-largest importer of goods.

China is a single party state governed by the Communist Party. In 2011, China's GDP is around RMB47.2 trillion (1GBP= 9.86RMB) , GDP growth rate 9.5%, income per capita RMB33,777, labour force 815.3 million,

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unemployment rate 6.1% and inflation 3.2%. The official language of China is Mandarin. English is popular among the younger. The literacy rate is 92.8%. The number of internet users reaches 500 million. Tianhe-1A world's fastest supercomputer was developed in 2011. China has been the one of the states capable of sending human to the space.

In 2009 the total sales in China's top 100 supermarkets is RMB575.6 billion, with CAGR of 15.6% from 2006 to 2009. The total number of supermarket outlets is 23,814. The Foreign-funded supermarket enterprise entered into China market in 2004 after the Chinese government lifted the restrictions on foreign capital's entry into China's retail industry. In 2009, the eight foreign-funded supermarkets including Carrefour, Wal-Mart and RT-Mart recorded total sales of RMB175.71 billions, with a total of 785 stores (Appendix 1, Table 2). The 31 domestic supermarkets (Better-Life, New Huadu, Wu Mart and Lianhua) recorded total sales of RMB391.3 billions, with a total of 23,004 stores.

In the civil aviation sector, according to the forecast of Aviation Industry Corporation of China, China will have an increase of 4,583 civilian aeroplanes in the next 20 years. Chinese commercial aeroplane market will undoubtedly grow rapidly. To the year 2030, China's share of global aircraft fleet will increase from 9% to 15%. In addition, the business jet market has a huge growing capacity in the global industry. In the near future, China is still unable to produce its own commercial aero engine for its jets. All the civil aero engines are imported from overseas. The major players are Pratt & Whitney, General Electric, CFM International and Rolls Royce.

To help our clients understand the difference between United Kingdom and China Market in order to formalising their strategies, we apply the Ghemawat's CAGE Distance Framework indentifying Cultural, Administrative, Geographic and Economic difference or distance between United Kingdom and China.

Socio-cultural difference such as Religion and Values are important factors affecting the companies enter into China Market. China's traditional religions are Buddhism and Taoism while Christianity and Catholicism are two major religions in United Kingdom. Western and Chinese companies conduct business in a very different way. In traditional Chinese societies, personal contacts and relationship are built around kinship and local network especially in retail industry. English is United Kingdom's national language where in China Mandarin is the most spoken language. This difference affects more on high end civil aviation industry than the retail industry.

Ghemawat says ' Political barriers will remain a part of the picture for those globalizing their operations'. China adopted a closed door policies until the mid-1970, the liberalisation of China after 1978 has resulted in the political climate being less restrictive than before. China accession into World Trade Organisation (WTO) in 2001 is an important milestone for the country's economy. After entering into WTO, China started the reform to liberalise trading rights, eliminate no tariff barriers, improve market access to goods and services, reduce traffic rates and protect intellectual property rights. Although Chinese government try the best efforts to promote rule of law, systemic and endemic corruption, lack of transparency, inconsistently enforced laws and regulations, an unreliable legal system and weak <https://assignbuster.com/nature-and-extent-of-globalisation-economics-essay/>

intellectual property protection remain to be the barriers to business profitability in China. The level of state involvement in the economy through large number of state owned enterprise remain high creating distortions in the market and protectionist measures for local and state enterprises continue to impede fair trade and competition. After the 2008 financial crises, there is a phenomenon that many private owned business were acquired by the state owned enterprise due to lack of liquidity.

China's time zone is eight hours ahead of London and the flying time between two capitals is around ten hours.

Ongoing structural reforms in China, export growth and investment has resulted in annually real GDP growth rates of around 10% over the past 4 years. Sustained high growth has reduced poverty and creating huge demand on consumer goods and air travel which generate business opportunity in both retail and aviation industry.