

8.1.1. The global economy has been dominated by the USA, whose economic output in 2008 was more than 3 times that of its nearest rival – Japan. Latest economic growth phenomenon with the assumption that the world order is about to be challenged. Cases have been made at various times for the growth of the Japanese economy, the rise of the Asian tiger economies, the challenges offered by the BRIC economies of Brazil, Russia, India and China. Most recently growth predictions have been made for the emerging MINT economies of Mexico, Indonesia, Nigeria and Turkey.

8.1.2. Growing influence of Japan

8.1.2.1. Japan emerged in the post-war period as the world's second-largest economy behind the USA, although it has since been overtaken by China. Post-war growth has been significant and in Japan's case, particular advances were made from the 1950s. This growth was built upon by a rapid increase in overseas investments. In addition, the focus on certain types of manufacture, exports and FDI meant that by the 1990s Japan had emerged as the world leader in product markets such as home audio, robotics, fax machines, cameras and video games. The net result was to lift Japan from the world's fifth largest economy in 1960 to the second largest by 1980.

8.1.2.2. The explanation for the growth of the Japanese economy has been attributed to a number of factors:

- Japanese manufacturing firms had cost advantages that were derived initially from a labour force that worked long hours for low wages. This enabled Japanese manufacturers to make inroads into the markets of its rivals.
- The Japanese control of imports enabled the same firms to dominate the home market
- Firms became cash-rich, which enabled them to invest in new methods and new technologies to reduce the build time of their products. As wages rose and hours of work reduced, competitive advantages were maintained by further investments in process technology and product technology.
- Supportive state and banking system, human resources policies, the core cultural values of Japanese and the close relationship between suppliers and manufacturers.

8.1.2.3. The success of Japan has had significant influence on western management practices and led to a substantial increase in Japanese FDI in Europe and the USA. In terms of wage rates, Japan had moved from a low- to high-wage economy. Moreover, Japanese firms were faced with increasing competition both from lower wage economies in the region and from firms in advanced economies, whose efficiencies had improved largely through the adoption of Japanese techniques such as just-in-time, results:

- Crisis of confidence in the financial sector
- Rise in unemployment
- Domestic spending fell dramatically → price cutting by the department stores and the influx of cheaper imports from China

- Industry groups lobby government to secure some kind of advantage or to protect themselves from what they see as unfair competition.
- Some firms seek political influence through donations to political parties. This is the source of considerable funding to political parties in the USA and a growing source in the UK as well as other European countries.
- Multinationals and large firms in any country will make some attempt at influencing government policy.
- Individuals also represent an important channel of influence.

14. THE WORLD TRADE ORGANIZATION

14.1.1. Emerging from the General Agreement on Tariffs and Trade (GATT), the World Trade Organization is a global organization of some 160 nations. It is concerned with establishment of rules of trade between member states. This it does within the framework of liberalizing world trade and offering assistance to the developing world. The full achievement of its objectives has been thwarted by trade restrictions by many nations and by the activities of some multinationals in moving operations to avoid WTO regulations.

14.1.2. The WTO operates by:

- Establishing rules that govern trading behaviour between nation states
- Attempting to liberalize trade through tariff and quota reduction
- Offering a facility and a legal framework, including a court, for the settlement of disputes
- Monitoring trade agreements and government policies, especially those that may contravene the WTO objective of liberalization
- Providing technical assistance and training for developing countries

14.1.3. The WTO members embrace well over 60% of world trade.

15. The EU

15.1.1. 28 countries

15.1.2. The EU was formed out of post-war idealism as a means of putting an end to war between European nations and to assist in the post-war political, social and economic reconstructions of Europe.

15.1.3. The EU, with over 400 million people, is a bigger market than either the USA (around 300 million) or Japan (around 130 million).

15.1.4. The EU, which began life in 1952 as the European Coal and Steel Community, embraces 28 member states. The objective of the EU is the maximization of advantages associated with the free movement of goods, finance and people and to capitalize on a large internal European market. In achieving these objectives, it is intended to bring the people of Europe closer together and operate a single market using a single currency.

15.1.5. Objectives:

- Maximization of the advantages accruing from the free movement of goods, finance and people
- Increase of competition and demand
- Maintenance of stable prices and high levels of employment
- Coordination of the policies of individual governments and their central banks

an annual rate of 2%, although the biggest growth has been within countries in the developing world. However, the proportion of the world's workforce operating outside its own country is relatively small. Globalization actually leads to a decrease in labour migration as increased flows of FDI and trade create jobs in most developing countries. With globalization, it is jobs that move not the people. There is fear that multinationals have shifted the manufacture of goods and services and hence labour to lower-cost-countries thereby creating increases in unemployment in many countries of the developed world.

29.1.1. The free movement of labour is seen to be as important as the free movement of goods and money, yet mobility remains low. However, only around 4% of the EU population work in a different EU country. A number of obstacles to mobility have been identified. Citizens of 17 new member states since 2004 still required work permits, many citizens have dual career families, which can inhibit mobility, barriers imposed by language.

30. Trade unions

30.1. A trade union is a group of employees who formally come together to achieve mutual goals. Such goals normally include job protection, improving pay and conditions and attempting to influence management decisions. Such aims can bring unions into conflict normally resolved by a process known as collective bargaining.

30.2. The membership, power and role of trade unions vary considerably across the world.

30.2.1. In the USA, overall membership is low.

30.2.2. In Germany, trade unions are supported by a regulatory framework, that includes the law, relating to co-determination and employee involvement.

30.2.3. In many parts of Asia, trade unions have little power and are often linked to companies, as in Japan.

30.3. The reasons for such differences are to be found in history, culture, politics, economics and the role of the state. Trade union density is used as a measure of membership. Density refers to the proportion of workers who are union members. There are significant variations between countries, although all show decline in membership. In many countries, there has been a decline of those industries and jobs that have historically been union strongholds such as coalmining and automobile manufacture.

30.4. Trade unions do have influence. For example, wage rates in general are higher in unionized firms than in non-unionized firms in the same industry. The union supporter would claim that trade unions act as an important check and balance in management decision-making, preventing management from acting unreasonable, and improving quality of the decision made.