

3/4/22: APHUG

- **Grab the handout on the back table**



7.7 Changes as a Result of the World Economy

Learning Objective

Explain causes and geographic consequences of recent economic changes such as the increase in international trade, deindustrialization, and growing interdependence in the world economy.

Essential Knowledge

- Outsourcing and economic restructuring have led to a decline in jobs in core regions and an increase in jobs in newly industrialized countries.
- In countries outside the core, the growth of industry has resulted in the creation of new manufacturing zones—including special economic zones, free-trade zones, and export processing zones—and the emergence of an international division of labor in which developing countries have lower-paying jobs.
- The contemporary economic landscape has been transformed by post-Fordist methods of production, multiplier effects, economies of scale, agglomeration, just-in-time delivery, the emergence of service sectors, high technology

The World Economy



Offshoring and Outsourcing

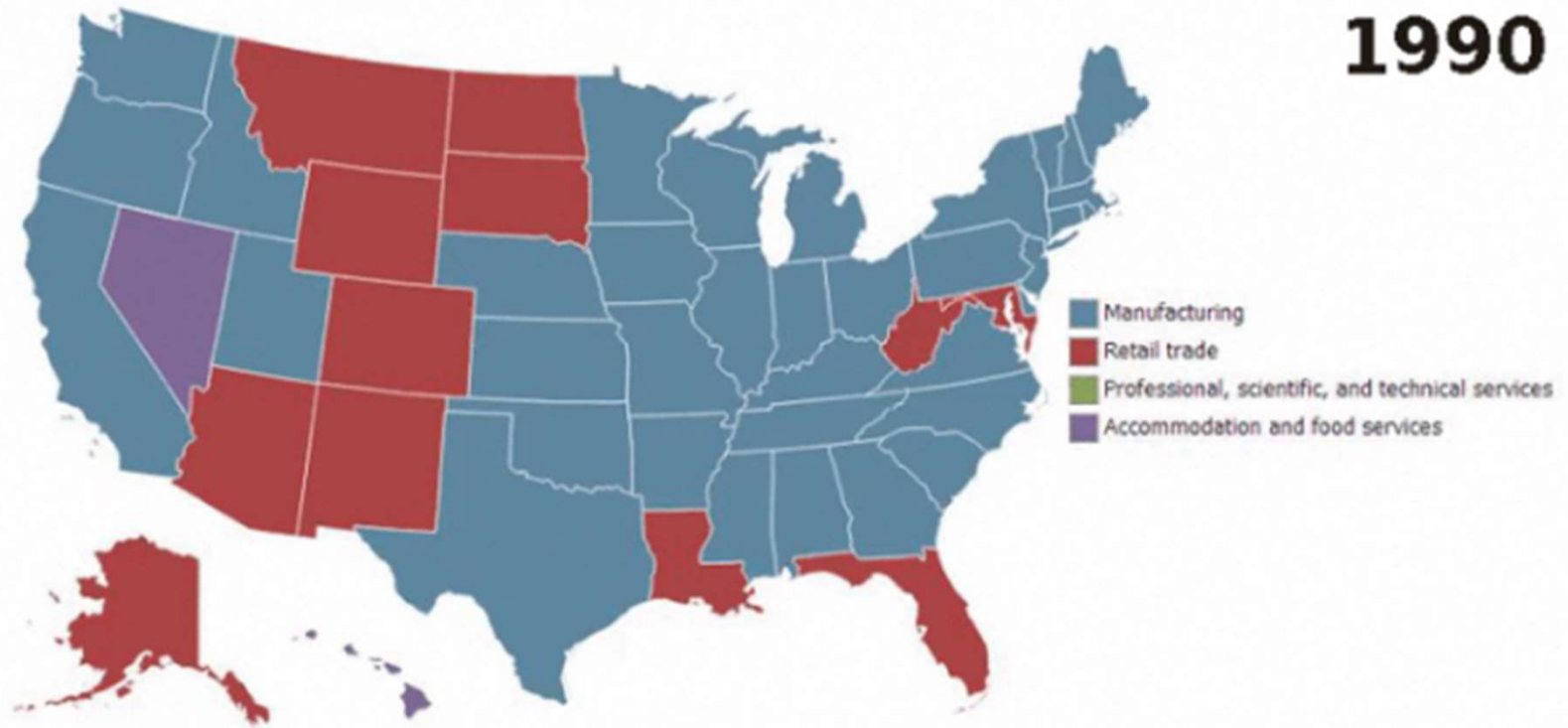
Offshoring

- When companies move their operations - their 'back offices' - to countries where the costs of doing business are lower
- I.e. software and manufacturing companies in the US and Europe that locate facilities in India and China.

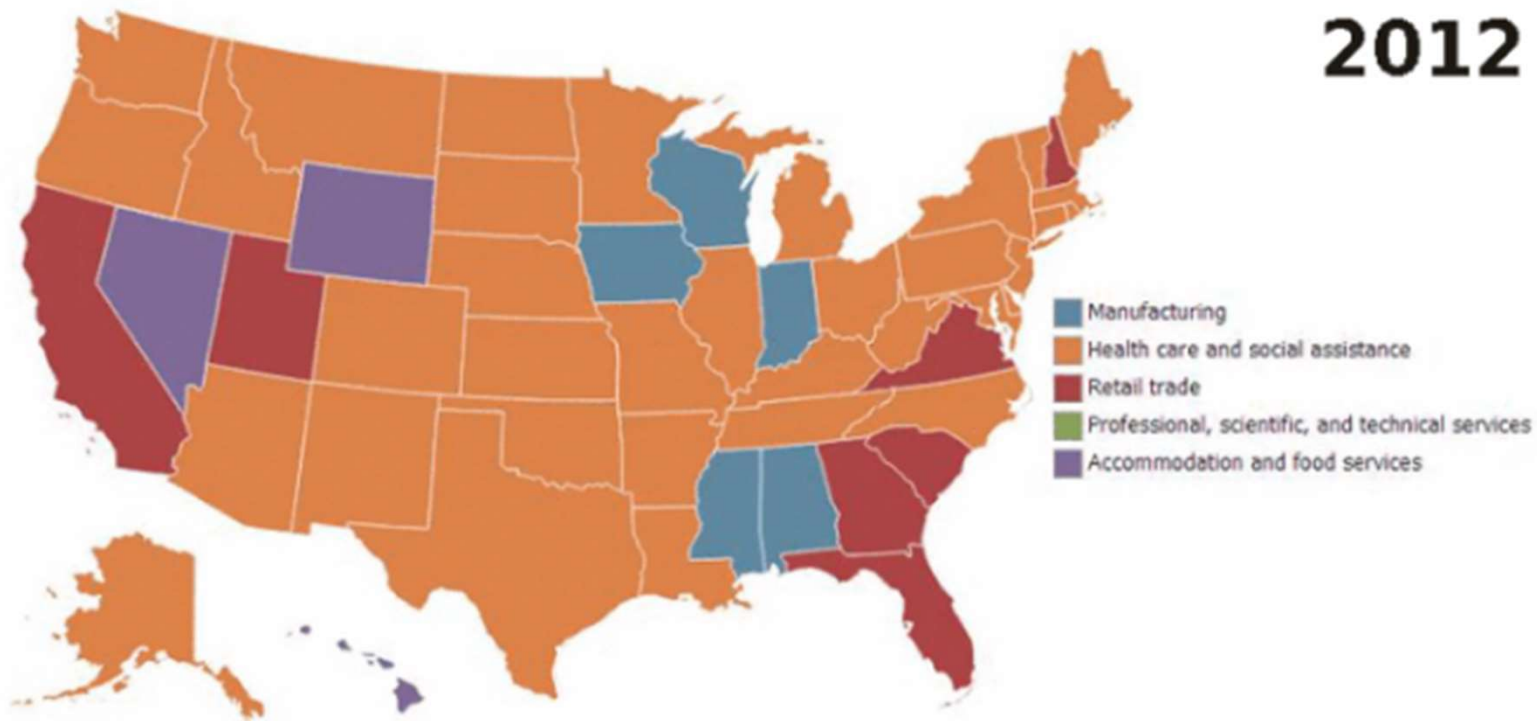
Outsourcing

- Outsourcing is contracting work out to non-company employees of other companies
- This can be **international** or **domestic**
- i.e. A German car company contracting with a Chinese supplier to make a part
- (As opposed to vertical integration)

1990

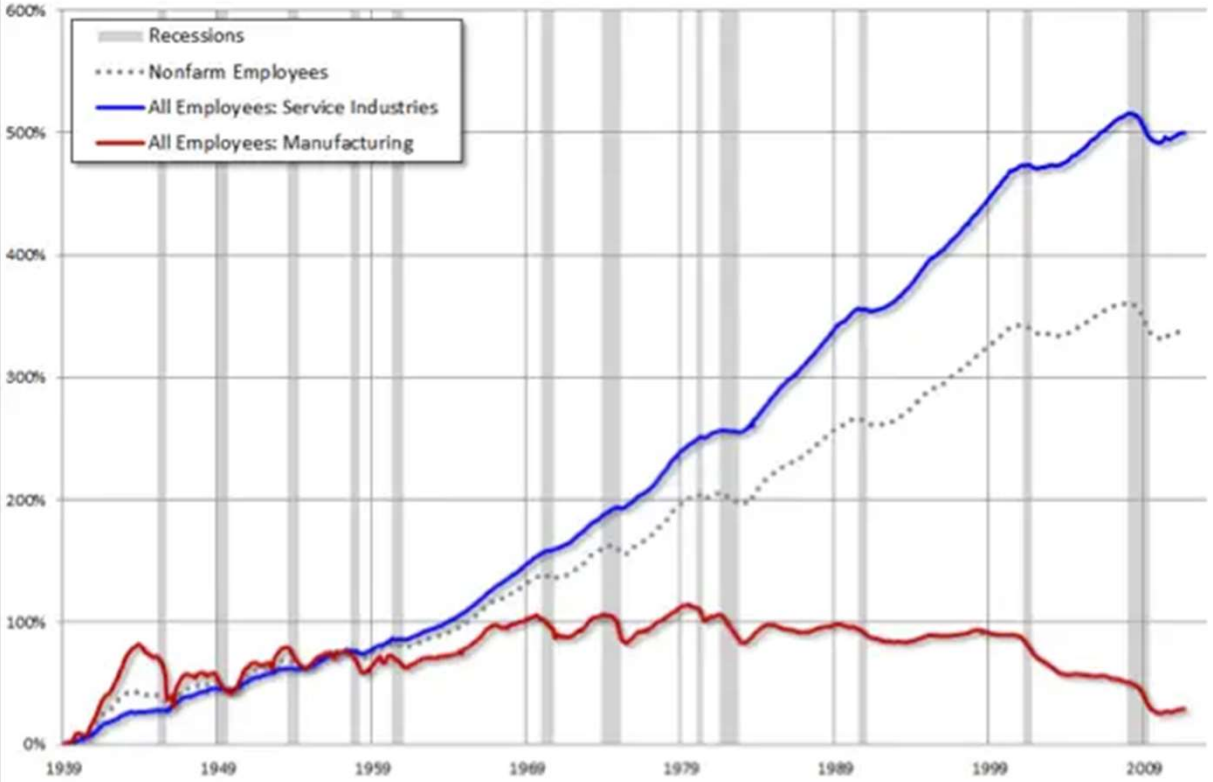


2012



Employment Growth Since 1939 Service Industries versus Manufacturing

dshort.com
September 2011

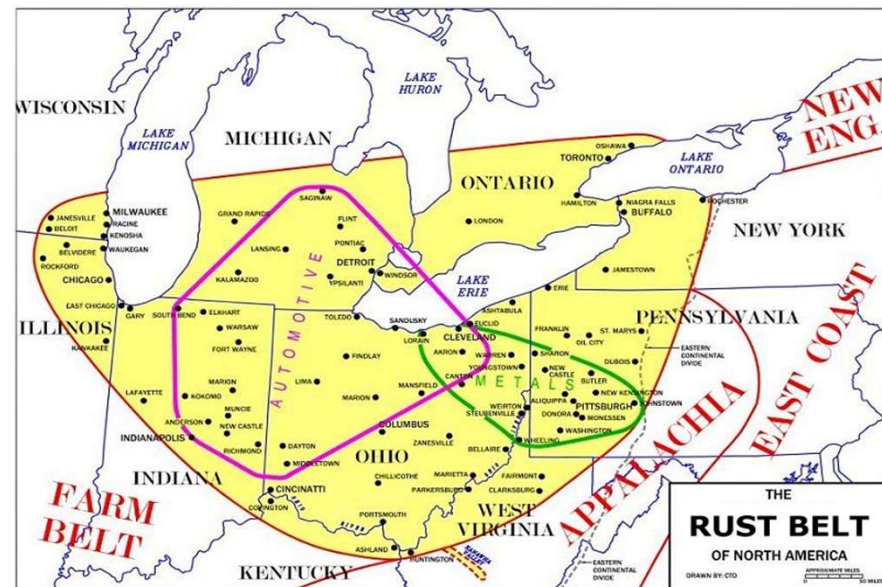


Deindustrialization

Post-industrial economies (like the US) no longer employ large numbers in factories.

These economies have shifted to services and information processing.

This has impacted the landscape by creating brownfields/rust belt and through the development of corporate parks and industrial parks.





As a result of manufacturing slowing in the U.S. (rust belt) – where have these jobs gone??????

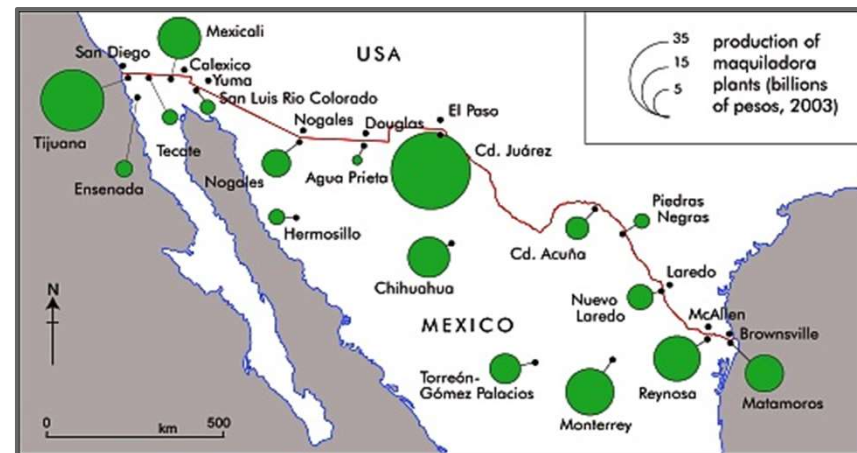


Export Processing Zones

Industrial areas where the government creates specialized policies and desirable investment and/or manufacturing conditions to attract businesses.

Uses incentives like tax breaks.

Often near airports, seaports, or land borders for easy exporting.



Maquiladoras are factories built by a US company in Mexico near the US border, taking advantage of the lower labor costs and tax breaks.

Ten of Asia's Most Dynamic Export Processing Zones



Special Economic Zones

A specific area within a country in which tax and investment incentives are implemented to attract foreign (and domestic) businesses and investment.

Examples: Bangladesh, Cambodia, Cayman Islands, China, and India have SEZs.





<https://youtu.be/E7Jfrzkmyzc>



New International Division of Labor

‘Traditional’ division of labor - one employee does one part of the production process.

New International Division of Labor - A system of employment in the various economic sectors spread throughout the world



Core countries do quaternary sector activity emphasizing research and development

Middle income countries like China, Mexico, Indonesia, do manufacturing, esp. for export to developing countries

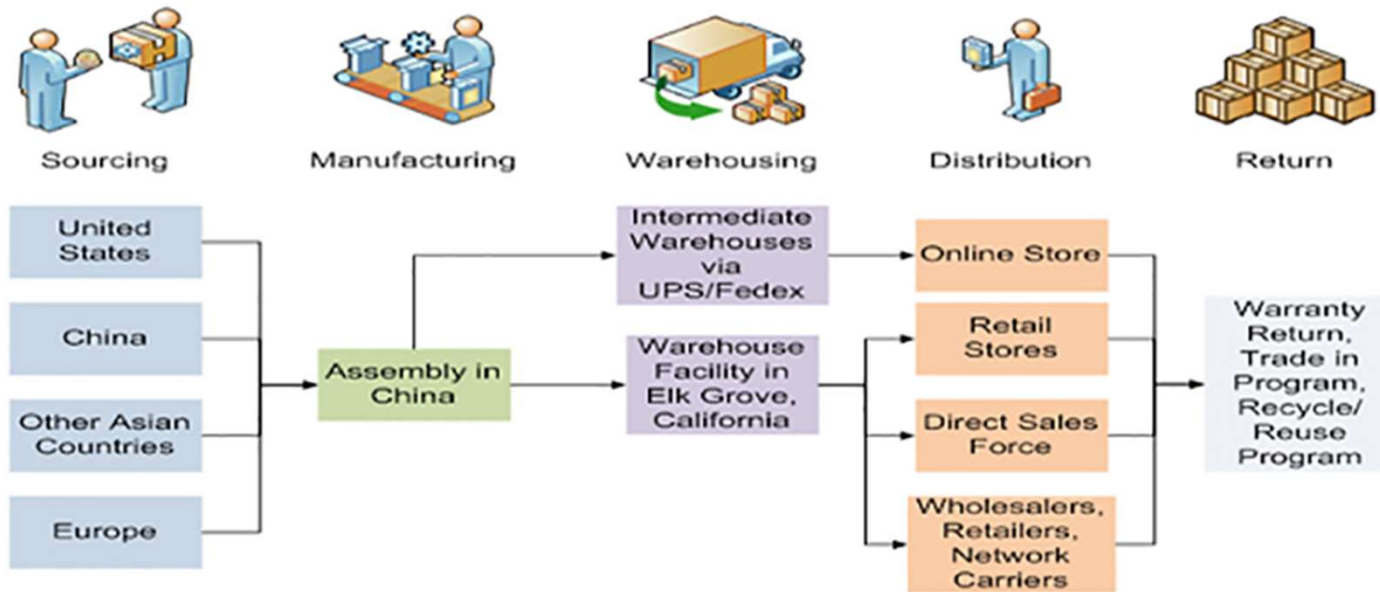
LDCs do primary sector work, exporting natural resources

The New International Division of Labor spreads out the commodity chain...

series of links connecting the
many places of production and
distribution and resulting in a
commodity that is then
exchanged on the world market



Apple's Supply Chain Model



Post-Fordist Production

- Fordist production - assembly line, Henry Ford
- Flexible production
- Workers operate in teams and figure out their tasks through problem solving
- Outsourcing
- Automation



Impact on Landscape?

Smaller footprint (thanks to JIT)

Demands skilled labor - site factor

Multiplier Effect

Basic Jobs

Provide services to people and business outside the community, bringing money into their respective communities from the outside. Ex. car manufacturer

Non-Basic Jobs

Provide services for people and business located within the community. They do not generate money from outside sources. Ex. waitress

Multiplier Effect: one basic job produces two non-basic jobs



+1 = **+2.5**
high-skilled tech sector job = non-tradable sector jobs



Economies of Scale

A competitive advantage that large entities have over small entities

The benefit of buying or producing in bulk

Cost is reduced when companies increase production because the fixed costs are spread over more units of production

EX. Walmart



Economies of Scale

An economics term that describes a competitive advantage that large entities have over smaller entities.



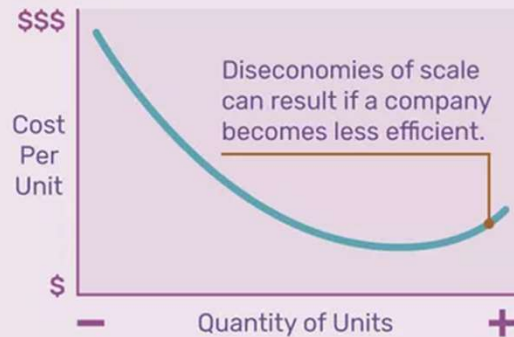
Internal

The sheer size of the company allowing bulk purchases.



External

Receiving preferential treatment from government or other external sources.



Large shipping companies can use ships that carry as many goods as 16 freight trains.

Growth Poles

A place of concentrated high-value economic development which attracts even more economic development

Each new business strengthens the pull of the 'magnet'

(Can lead to brain drain for areas outside the growth pole)

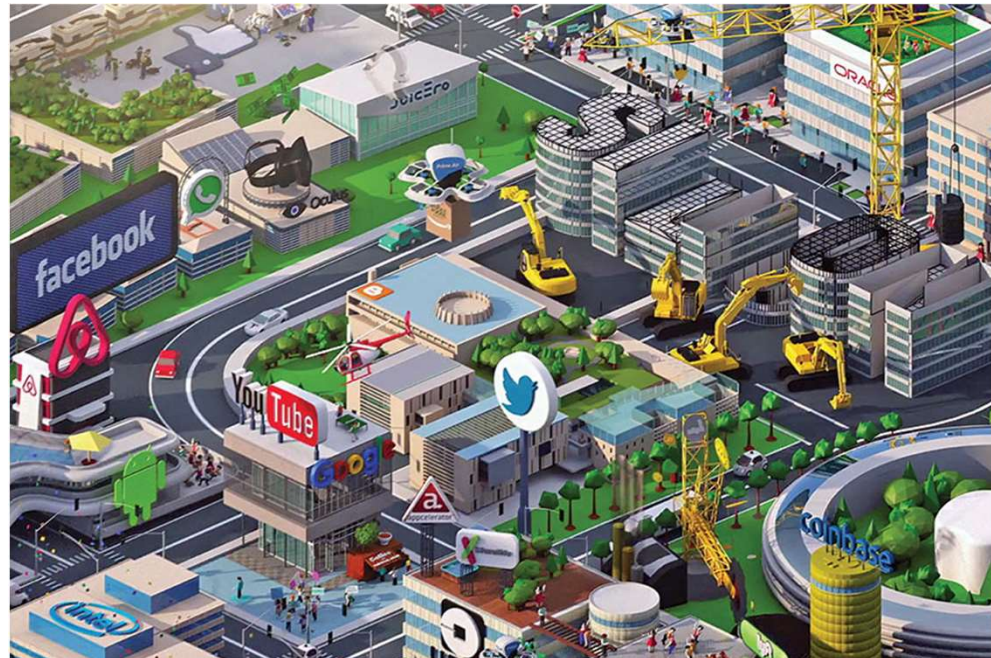


Technopole

A type of growth pole

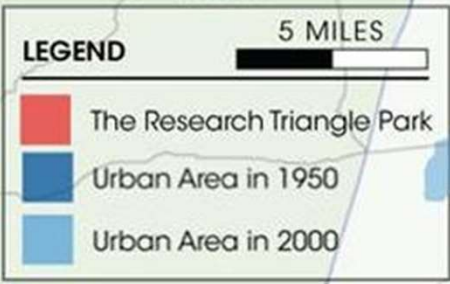
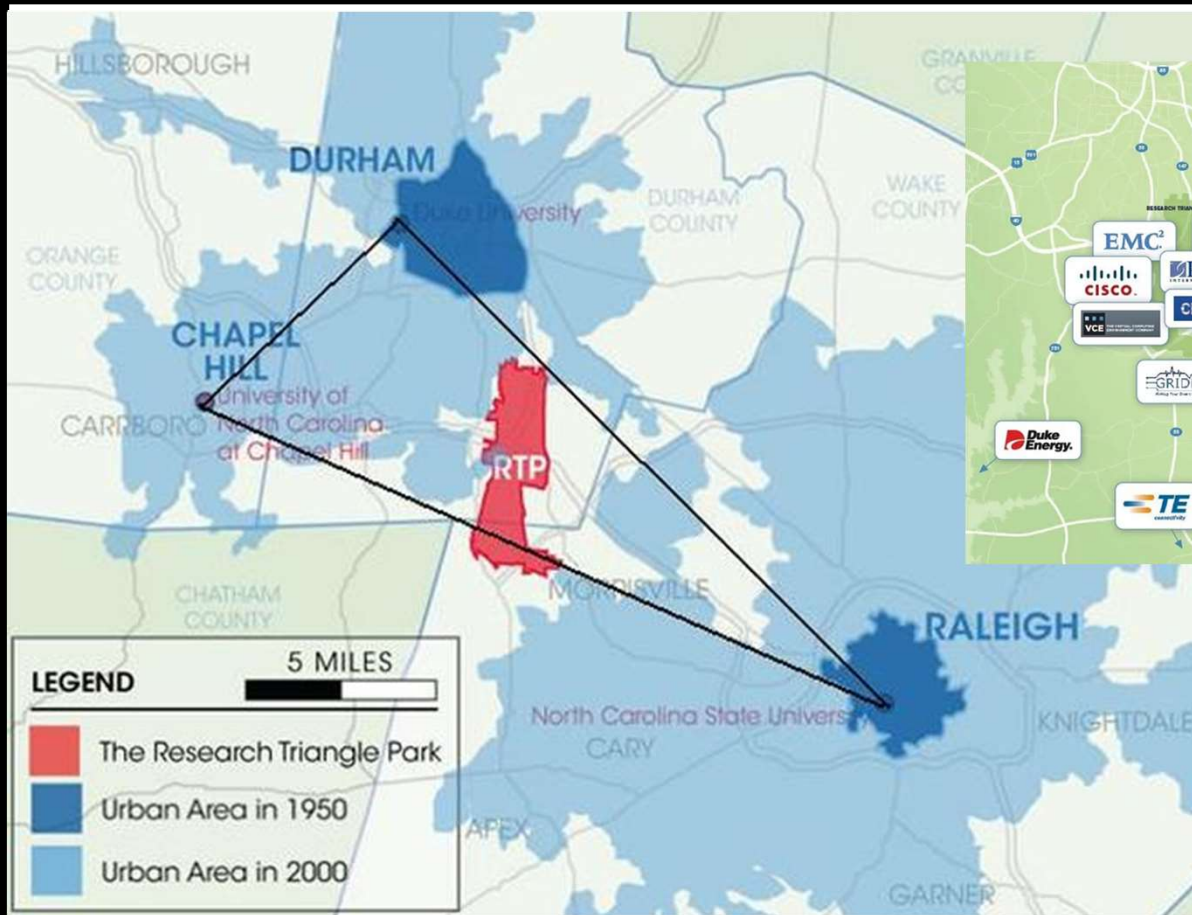
A hub for information based industry and high tech manufacturing

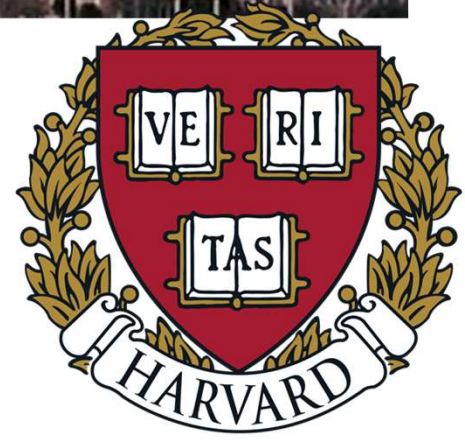
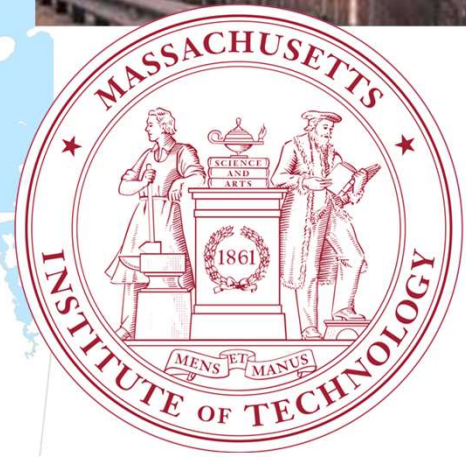
Located near universities well known for computer, math, engineering, science





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Topic 7.7 Quiz

- Go to www.collegeboard.org
 - Go to “AP Students”
 - Go to “My Assignment”
 - Select “Topic 7.7 Quiz”
 - You may use your notes and homework from last night
 - Must be at least 6 out of 10 to get credit