

# The Changing Economic World

## Key words

**Birth rate:** the number of births in a year per 1000 of the total population

**Commonwealth:** 53 independent states which were the former British Empire

**Death rate:** the number of deaths in a year per 1000 of the total population

**De-industrialisation:** the decline of the country's traditional manufacturing industry

**Demographic Transition Model:** shows how population should change over time with birth and death rates and total population size.

**Development:** progress of a country in economic growth (wealth), technology and human welfare

**Development gap:** difference in standards of living and wellbeing between HICs and LICs

**European Union:** 28 European countries formed to reduce trade barriers and increase cooperation among its members

**Fair trade:** when producers in LICs are given a better price for the goods they produce

**Globalisation:** process which has create a more connected world, increased movement of goods (trade) and people worldwide

**Gross National Income (GNI):** A measure of wealth that is calculated by dividing the total national income by the size of the population.

**Human Development Index (HDI):** a method of measuring development in which GDP per capita, life expectancy and adult literacy are combined to give an overview.

**Industrial structure:** the relative proportion of the work force employed in different sectors of the economy

**Infant mortality:** the average number of deaths of infants under 1 yr per 1000 live births per year

**Information technologies:** those that speed up communication and the flow of information e.g. computers

**Intermediate technology:** the simple, easily learned and maintained technology used in a range of economic activities serving local needs in LICs.

**International aid:** money, goods and services given by the government of one country or group such as the World Bank to help the quality of life and economy in another country

**Life expectancy:** how many years you are predicted to live for

**Literacy rate:** the percentage of people who have basic reading and writing skills

**Microfinance loans:** very small loans which are given to people in LICs to help them start a small business

**North-south divide (UK):** economic and cultural differences between the south and north of England

**Post-industrial economy:** the economy of many economically developed countries where most employment is now in service industries

**Science and business parks:** purpose built areas of offices and warehouses, often at the edge of a city or main road where scientific research and commercial development may be carried out in co-operation with the university

**Service industries:** the economic activities that provide various services e.g. shops, professional, social and entertainment

**Trade:** the buying and selling of goods and services between countries

**Transnational corporation(TNC):** a company that has operations in more than one country e.g. McDonalds

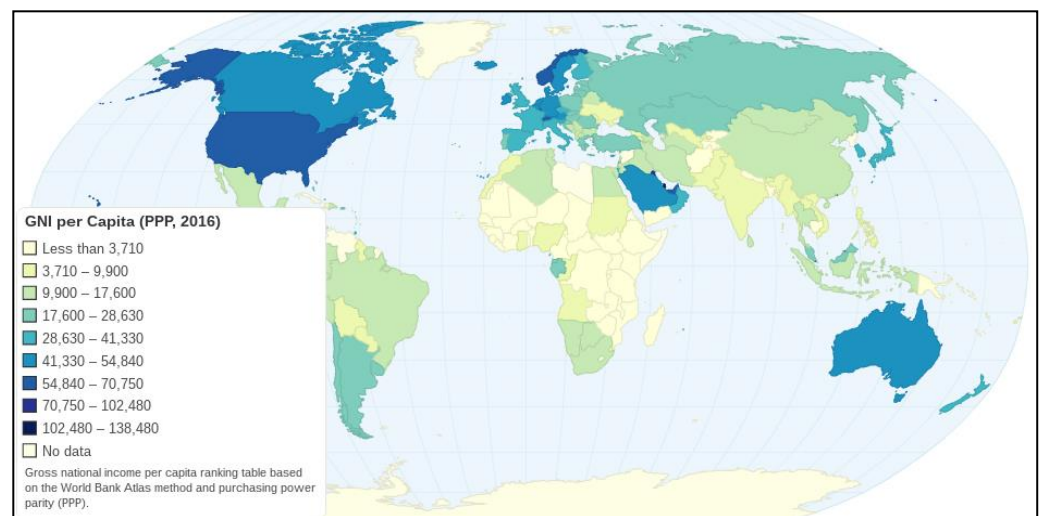
Development means positive change that makes things better. There are things that can affect development:

- environmental factors such as natural hazards
- economic factors such as trade
- social factors such as safe water and education
- political factors such as a stable government

Countries are mainly put into three groups: HICs, LICs, NEEs.

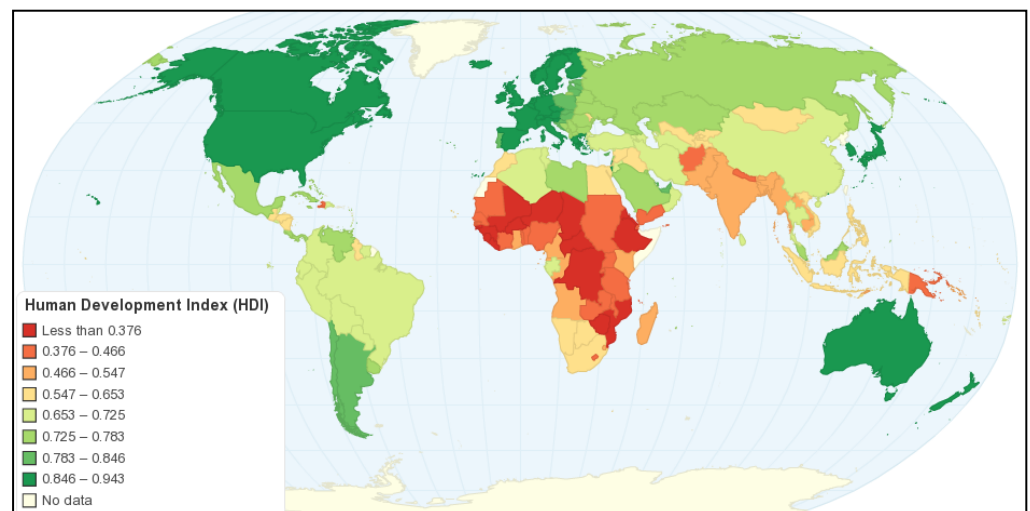
### How can you measure development?

1. **GNI:** This measures wealth and income to show economic development. It is easily comparable, but it does not show you what



is happening inside a country as it is an average. It shows you HICs (countries that are earning the most money) and NEEs such as Nigeria who are in the middle band. LICs earn the less money.

2. **HDI:** This shows health, wealth and education. It is a value between 0 and 1. The closer you are to 1, the better your country is. HICs tend to be closer to 1. LICs are closer to 0.



3. Social measurements of development: there are many of these

- **Birth rate:** this is **very reliable**. As a country develops, women will have less children as they want a career. LICs have a high BR.
- **Death rate:** this is **not very reliable**. HIC countries such as the UK can have a high DR because there is a large older population. LICs have a high DR because of poor medication and sanitation.
- **Infant mortality:** this helps us understand how good a country's healthcare system is
- **Number of doctors:** helps us know how much money is spent on healthcare
- **Literacy rate:** the higher the rate, the better the education system
- **Access to clean water:** helps us understand how good infrastructure is in a country.

### Factors that affect development

1. **Physical factors:** this is all about their location:

- **Landlocked:** if they have no access to the sea, it is hard to trade.
- **Climate:** some diseases in certain climates can affect crops
- **Extreme weather:** drought and cyclones
- **Lack of water**

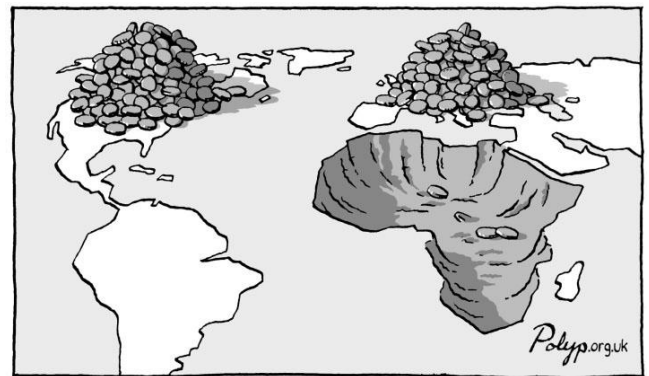


2. **Economic factors:** this is all about how much money they have:

- The more money a country has, the more supplies they can buy to make better products to sell

### 3. **Historical factors:** what has happened in the country's past

- **Colonialism:** this is when countries from Europe invaded other continents such as Africa. They took raw materials and also the people to trade (slaves). When the Europeans left, there was a lot of political instability.



### **Impacts of uneven development**

There is an imbalance around the world for development. We call this the **development gap**. This can impact on the economy, health and society.



1. **Economy:** the most developed countries have the most wealth:

- North America holds 35% of the world's wealth
- China has the highest growth rate in the world
- Africa holds around 1% of the world's wealth

2. **Health:** there are huge differences in people's health in the world

LIC	HIC
4/10 deaths are among children under 15 years old Infectious diseases such as lung infections, HIV/AIDS, TB and Malaria Complications in child birth can raise infant mortality	7/10 deaths are among people over the age of 70 Cancer, dementia and diabetes are the main killers Lung infections amongst some older people 1/100 deaths are in children under 15

3. **Migration:** the movement of people from one place to another

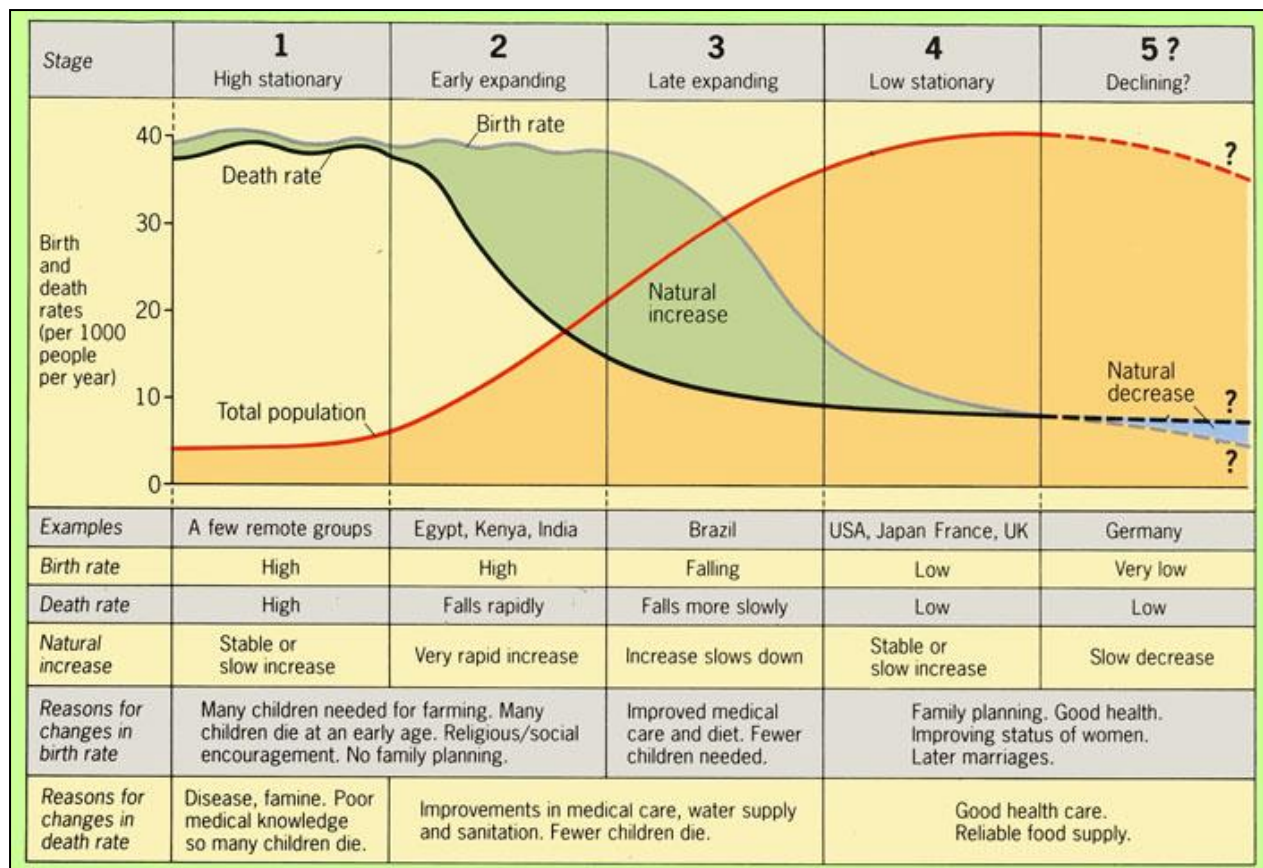
- A **refugee** is forced because of war or natural disaster. E.g. the conflict in the Middle East has led to thousands moving from places like Syria to neighbouring countries like Lebanon. Many have moved to Europe in the infamous boat crossings.
- **Economic migrants** move voluntarily for a better life e.g. 1.5 million have moved to the UK, mainly from Poland. This is good for Britain as it helps our economy, but damages Poland's economy.



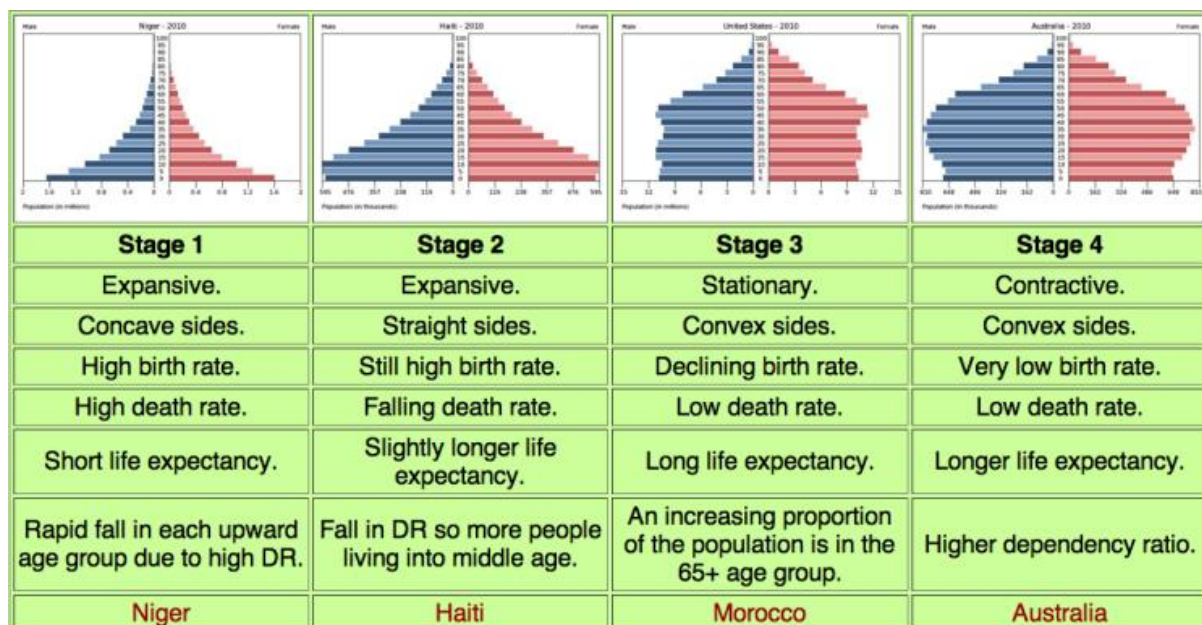
### The DTM and development

The Demographic Transition Model shows changes over time in a population of a country.





The population structure looks like this for stages 1-4



**How can we make the world more even?**

We aim to **reduce the development gap**. There are a number of ways to do this:

1. **Investment:** many countries and TNCs will choose to invest (supply) money and experts to LICs to increase their profit. This could include developing water and roads, constructing dams for electricity, improving ports and developing new industries.



2. **Industrial development:** this brings more employment, higher incomes and opportunities to invest in housing, education and infrastructure (e.g. roads)

3. **Aid:** this is when a country of charity (NGO) donate resources to another country to help it develop and improve people's lives. This can be the form of money, emergency supplies, food such as rice and wheat, technology (machinery) and skilled people such as doctors.



4. **Intermediate technology:** this is sustainable technology that is appropriate to the needs, skills, knowledge and wealth of the local people. It is small scale projects that are linked to farming, water or health that the local communities can run for themselves. E.g. small dams built to help farmers irrigate (water) their land.



5. **Fair trade:** this ensures that the farmers who produce crops are given the correct amount of money for what they produce. The money is also given to local community development projects and the product is given a stronger position in the global market.





6. **Debt relief and microloans:** debt relief means that countries (normally LICs) who owe money to other countries (normally HICs) have their debt cancelled. This means that they can then invest money into their own country and infrastructure. Microfinance is a small scale loan for individuals to start businesses that have a low interest rate so are easily paid back.



### Tourism to help reduce the development gap: Tunisia

Tunisia is located in North Africa. Since 2013, 6.2 million tourists have visited. Why?

1. **Links with Europe:** it's coastline is close to Europe so is easily accessible. The French colonised the country so many visitors are French speaking.
2. **History and culture:** it has 7 UNESCO World Heritage Sites including the city of Cathage. Films such as Star Wars have been set there.
3. **Physical landscape:** there are Mediterranean beaches, Dorsal Mountains and the Sahara Desert in the south.
4. Cheap **package holidays** are offered
5. **Climate:** summer temperatures can reach 40°C and winters are warm and mild.



### Impact of tourism in Tunisia:

1. **One of the wealthiest countries in Africa** with a GNI of \$4,320 per capita, making it a NEE.
2. **Life expectancy** has increased from 42 in 1960 to 75 in 2018.
3. **Literacy rates** have increased to 79% with more families being able to afford education.

## Limits of tourism in Tunisia

1. **Pollution has increased** with some of the Mediterranean beaches being polluted.

2. '**Leakage of profits**' means that foreign companies like Thomas Cook send holiday makers to Tunisia but keep a lot of the profit outside of Tunisia e.g., in the UK meaning that there is a lack of investment in some parts of the country.

3. **Terrorist acts** have happened in the area in 2015 which have attacked tourists specifically. This means that some European Governments put a ban on tourists going to Tunisia at the time. Now, they are allowed back but some people are a bit nervous to return.



## An example of economic development in a NEE: Nigeria

Nigeria is a country in west Africa and lies just north of the Equator. Its south coast lies on the Gulf of Guinea which is part of the Atlantic Ocean.

Its climate is tropical with a rainy and dry season. It is hot and wet most of the year, particularly in the south.

### Why is Nigeria important?

**Globally:** it is a NEE and is the world's 21st largest economy. It supplies 2.7% of the world's oil. Its cities, such as Lagos, are an important economic hub for telecommunications, finance and media. It is the 5th largest contributor to UN peacekeeping missions around the world.

**In Africa:** it has the highest GDP and the 3rd largest manufacturing sector. 182 million live there and is the largest African country in population size. It has the highest farm output in Africa and there are 19 million cattle there. Nigeria is seen as 'critical to the rest of Africa's development'.

### The context of Nigeria

**Society and culture:** it used to be under British rule and has been independent since 1960. There are over 500 different ethnic groups (tribes). Christians mainly live in south and Muslims mainly in the north. Rapid rural-to-urban migration means that there are many people living in the cities such as Lagos and Abuja.

**Environmental:** located 5-12° north of the equator in tropical Africa. As you move further north, it becomes drier which affects vegetation. Tropical rainforests are mainly in the south and savanna grasslands towards the north. Cocoa and oil palm are grown in the south. Peanuts are grown in the north.

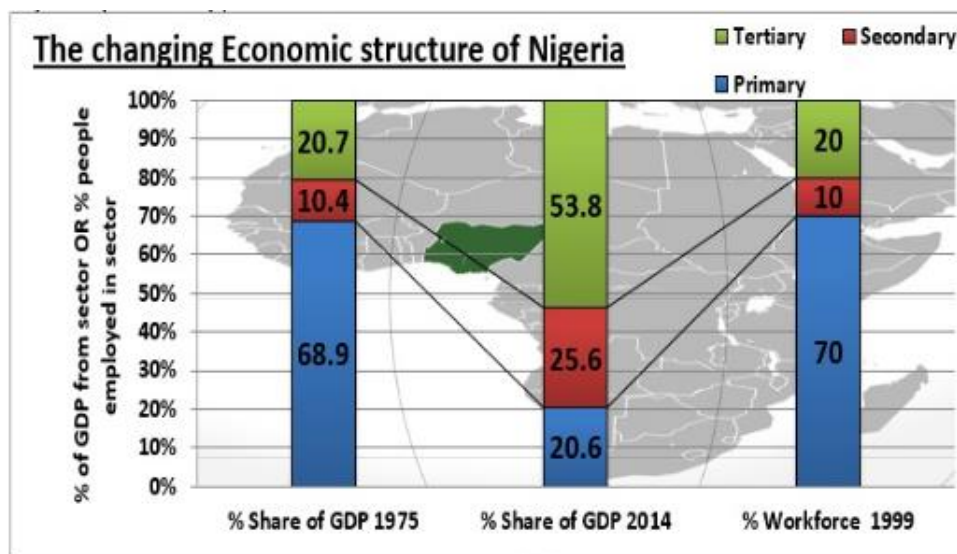
**Political:** Nigeria had a civil war between 1967 and 1970. There have been many military dictatorships but it is now in a democracy (where you can freely vote). There is an extreme group called Boko Haram in the north that



wants to rule the country in an extreme Islamic way. Because of the stable government, **more countries are investing in Nigeria such as America** (Walmart stores).

### Nigeria's changing economy

The economy is changing and it is shifting from Primary industries (farming) to secondary (manufacturing) and tertiary industries (services such as shops). The graph below shows the division in Nigeria. Many people are still working in farming and wealth is not well distributed between the very wealthy and the very poor



The economy of Nigeria has grown rapidly, with a 7% increase every year for 10 years. The oil industry has been the main reason for this.

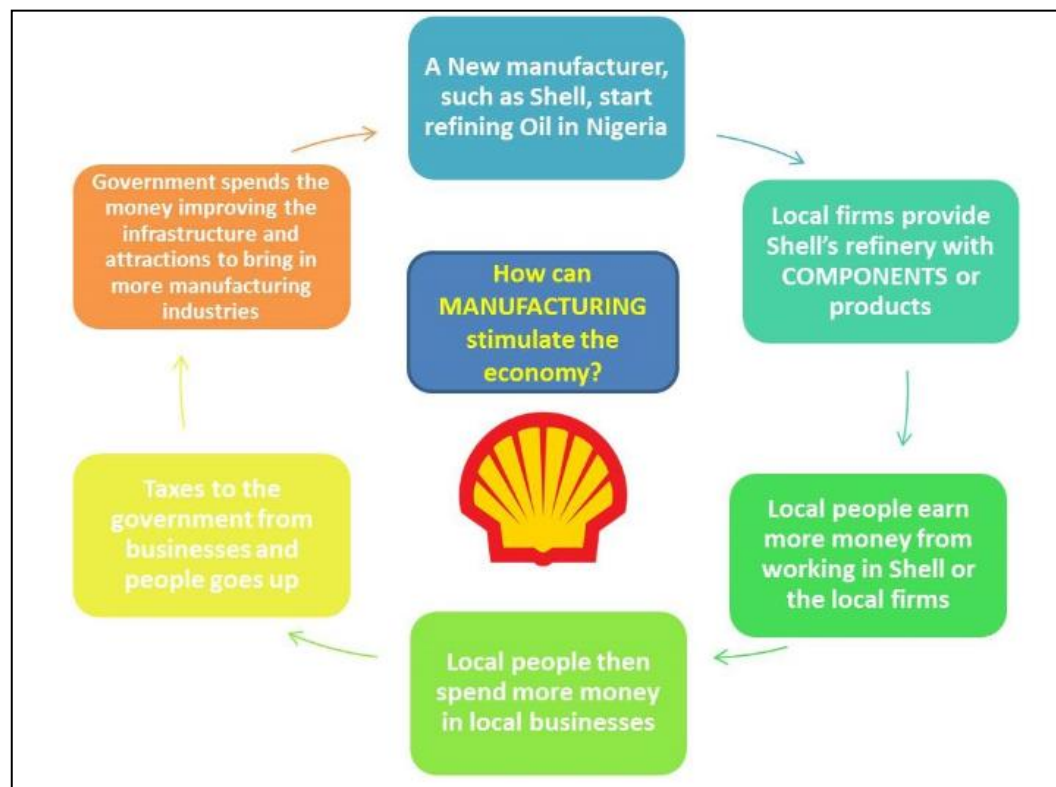
There is potential because:

- ✓ Nigeria has a large domestic market
- ✓ It has a good position in West Africa and can trade easily
- ✓ It has a large population = workers!
- ✓ It has plenty of natural resources

There are limits because:

- ✗ There is poor infrastructure such as roads and electricity
- ✗ There is limited financial services for poor people.
- ✗ There is still a reliance on agriculture
- ✗ There is a dispute over land in some places

Manufacturing has helped Nigeria's economy. It can have a positive multiplier effect like the diagram below shows:



Big manufacturing industries can invest, particularly in the Niger Delta meaning that more jobs are directly created that can go to locals. Furthermore, there will be other jobs such as a cleaning or catering company needed to clean factories. This means more jobs. It means more money. It is beneficial for Nigeria and changing its economy.

### **TNCs in Nigeria**

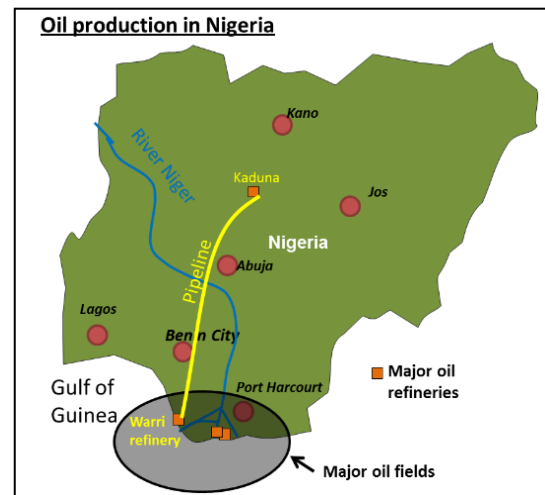
TNCs are companies that operate in more than one country. Many are well known brands such as Shell and Nestle. They will have their headquarters and areas of research in their home country, and factories in others. This is happening in Nigeria.



## Shell in Nigeria

Shell is an oil company that works outside Nigeria, but extracts and cleans oil inside Nigeria. Shell is a TNC that produces more than 21% of the country's total petrol production from more than 80 fields in Nigeria.

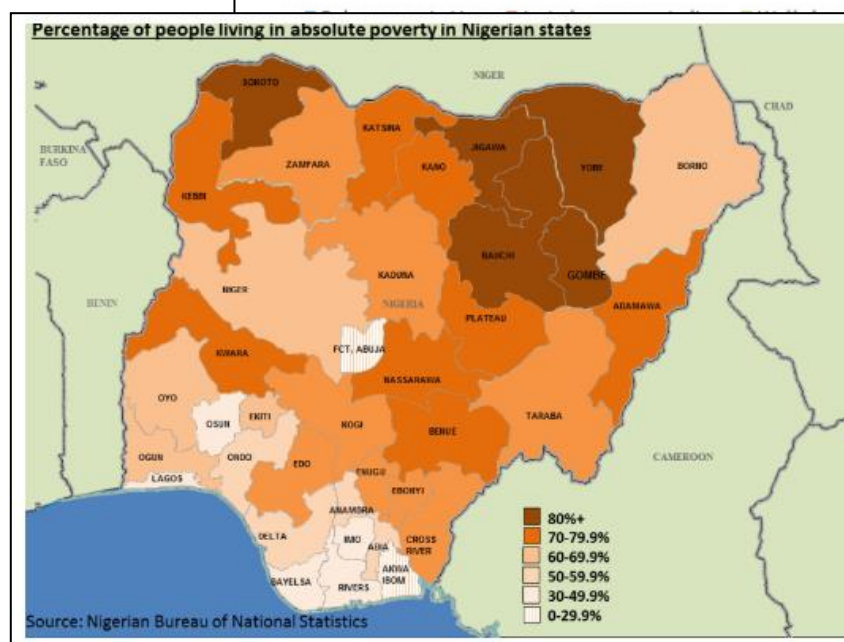
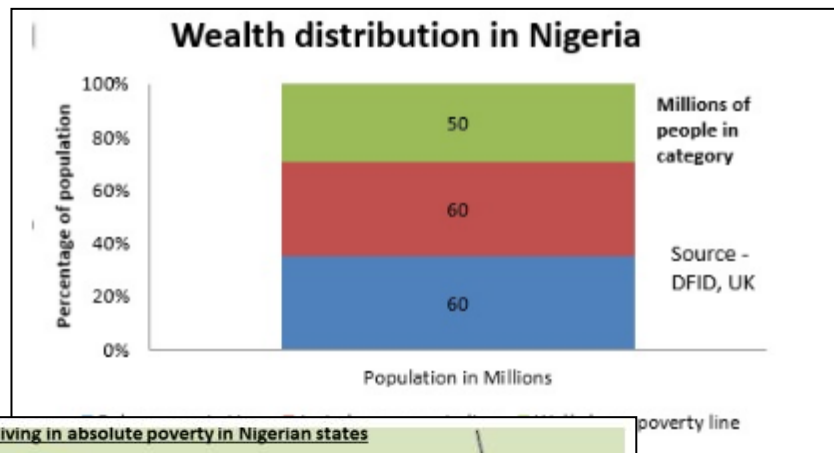
TNCs like Shell have positives and negatives in Nigeria:



Positives of Shell in Nigeria	Negatives of Shell in Nigeria
<ul style="list-style-type: none"> <li>Provides jobs for local people</li> <li>Generally try and make the environment clean</li> <li>Have charities to help local communities</li> <li>Shell Foundation to help sustainability and biodiversity</li> <li>Spent \$12billion in the country</li> <li>Paid \$20 billion in tax that gets spent on the local communities</li> <li>New technologies in the area</li> <li>Investment in the country and infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Pollution has happened e.g. oil spills</li> <li>Shell has been accused of crimes against the Ogoni people of the Niger Delta and breaking human rights</li> <li>Employees work long hours in poor conditions</li> <li>Some suspicion of child labour</li> <li>Profits go to the HIC nations</li> <li>They could lose their jobs if Shell leaves Nigeria for somewhere cheaper</li> <li>Some employees are not paid correctly</li> <li>Accused of poisoning water supplies and causing gas fires</li> </ul>

## Aid in Nigeria

Even though Nigeria has advanced quickly, it still relies on aid for help. It is an unevenly developed country, with lots of rich people and lots of poor people:



poverty line

Other issues

include:

- × 15% of the world's children out of school.
- × 10% of child and maternal (mum's) death
- × Only 57% of girls in northern Nigeria attend primary school and less than

1in4 move to secondary level

- × Businesses lack access to regular electricity
- × Outbreaks of violence at the Niger Delta around oil wealth
- × Terrorism attacks

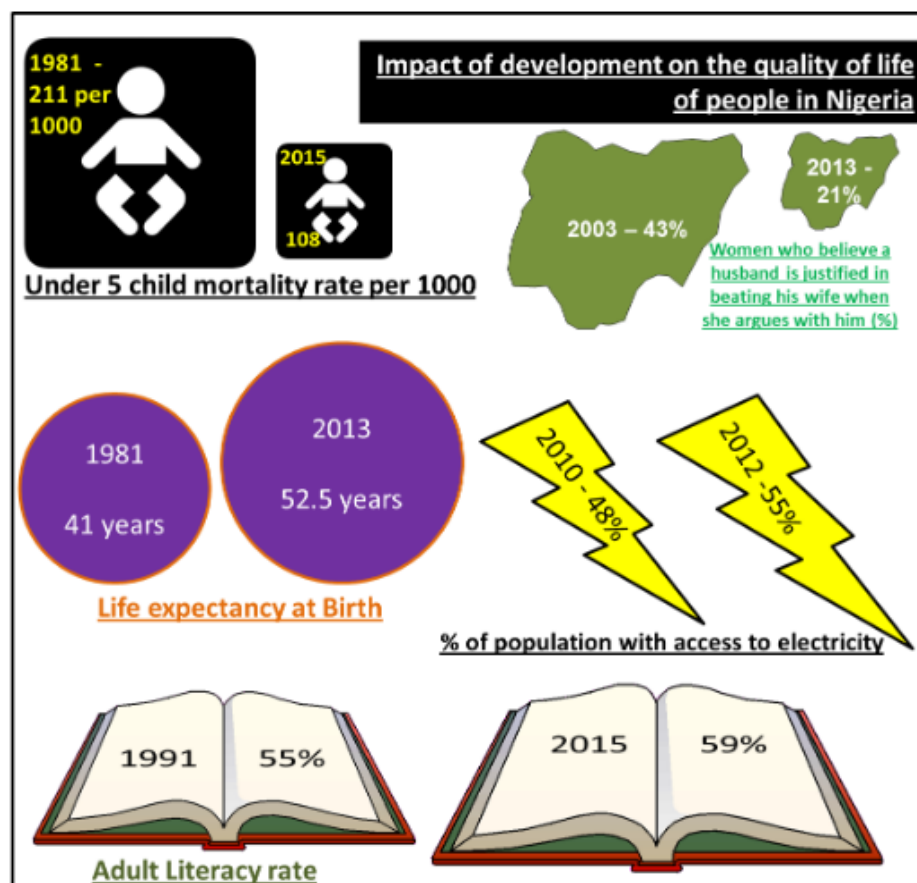
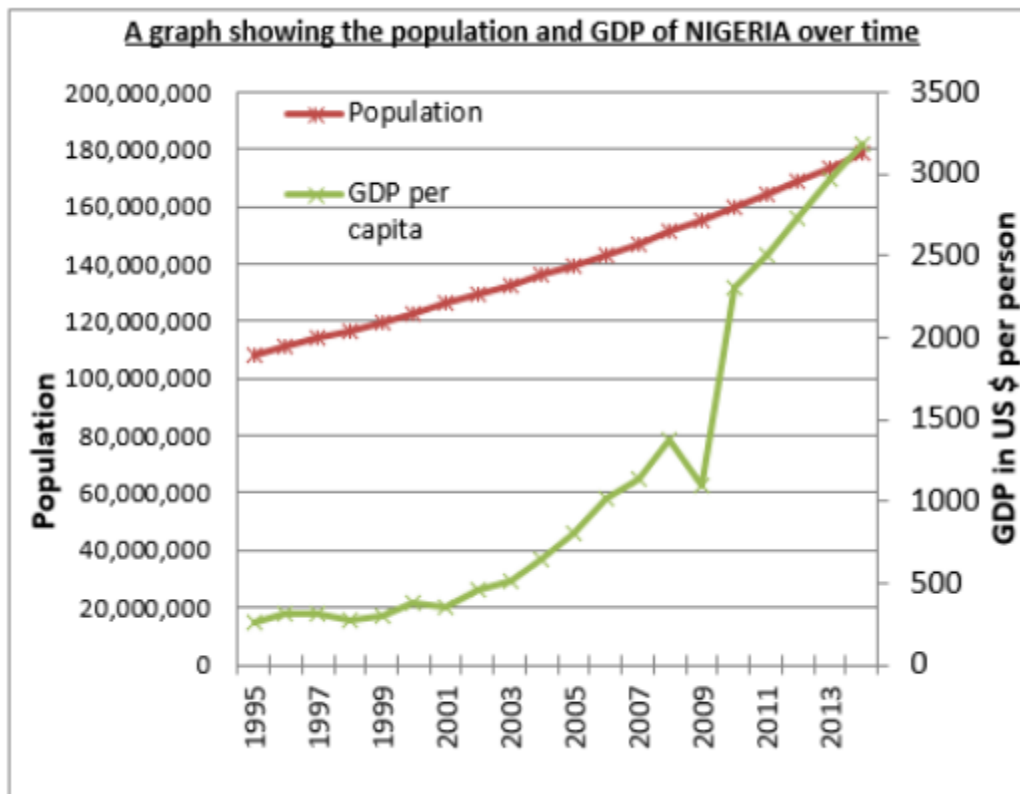
The UK send aid money to Nigeria and it is spent in the following ways:

Development area	Indicator	How successful? (2013-2014)	Cost (2014-15)
Governance	Number of people voting in Nigeria's national elections	40 million people voted in the 2011 election, 5 million more than in the last election	£71.6 million (includes security too)
Wealth Creation	Number of poor people whose income increase by between 15% and 50% due to DFID projects.	515,708 poor people with incomes raised above 15% estimated 98,000 women.	£43.3million
	Number of people with access to formal financial services.	10m more people have access of which 4.1m are women.	
Health	Number of births delivered with skilled health personnel in targeted sites in northern Nigeria.	500,000 delivered	£100 million
	Number of insecticide treated malaria nets distributed with DFID support.	10 million nets given out	
Education	Number of additional children receiving education in Nigeria.	481,000 additional children (48% girls)	30.8 million
Water and Sanitation	Number of people using safer water and living in open-defecation free villages as a result of DFID support.	5.5 million (50% girls and women)	£6.9 million
Poverty and Vulnerability	Number of pregnant women and unique under five children reached by DFID supported nutrition programmes in northern Nigeria.	4.3 million women and pregnant mothers.	£3.8 million

How

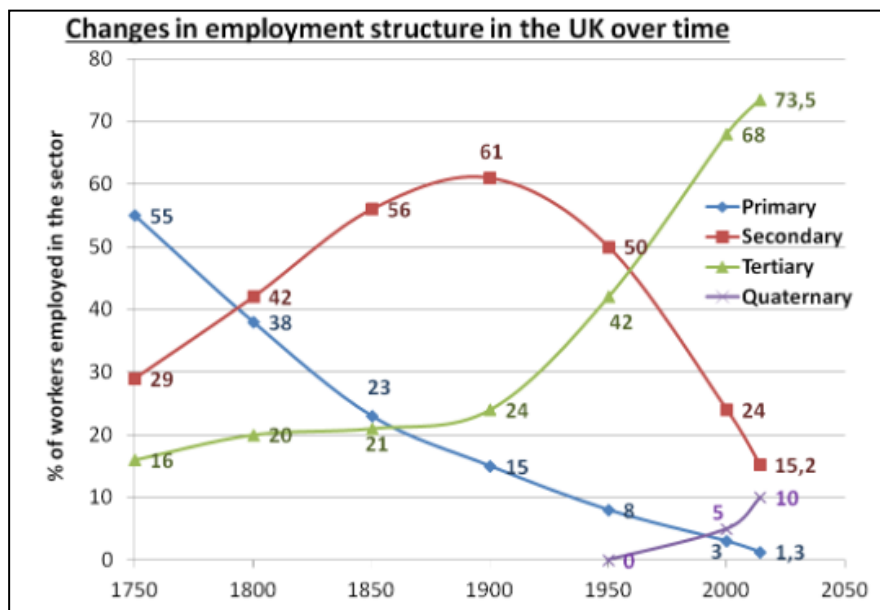
economic development is improving quality of life for Nigeria

Nigeria is improving slowly as a country. It's GDP is growing and so does the quality of life as the graphs show below:



The UK economy

There have been changes in the employment structure in the UK:



The graph shows:

1. Primary industries have declined rapidly
2. Secondary industries grew during the industrial revolution but has declined since WWII.
3. The service industries have grown massively and is still strong today.
4. The quaternary industry (research and development) has started to emerge recently because of the following reasons:
  - Globalisation: this connected the world more and increases trade. As factories shut down to move to LIC nations, the UK used their highly educated workforce from universities - 50% of young people go to university and can work in hi-tech industries
  - Deindustrialisation: factories shut down in the UK to move to LIC nations. Also, the UK does not like damaging the environment and there is too much risk with factories
  - Government policy: the Government made decisions in the UK economy e.g. shutting down big industries and making us a 'knowledge economy' by investing in bigger industries and technology.

**The impact of industry on the environment in the UK**



Industries have impacts on the environment in the following ways:

1. **Air pollution:** factories can emit lots of green house gases such as Sulphur Dioxide, Carbon Dioxide and Nitrogen Oxide all of which can lead to global warming.
2. **Waste water:** industries use a lot of water and produce a lot of waste water. It can pollute rivers and damage wildlife and drinking water.
3. **Land Pollution:** some industries use hazardous chemicals which can be dumped on the land and poison soils and damage ecosystems.

### Example of this: Teeside

After the secondary industries shut down in the North East of England, they moved to more sustainable industries and hi-tech industries with research and development to increase employment, reduce waste, and provide jobs for university and local people.

## UK's post industrial economy

The UK has tried to develop a 'knowledge economy' with the following:

1. **ICT:** businesses using computers
  2. **Service industries:** work with customers rather than manufacturing
  3. **Finance:** works with money such as accountancy
  4. **Research**
  5. **Science and business parks:** these are purpose built often at the edge of a city and on a main road, near universities and hi-tech industries.
- All these industries have the same characteristics: footloose (they can move anywhere), close to transport routes, use their human resources, are more sustainable with less pollution and often work together to exchange ideas.



## Rural changes in the UK

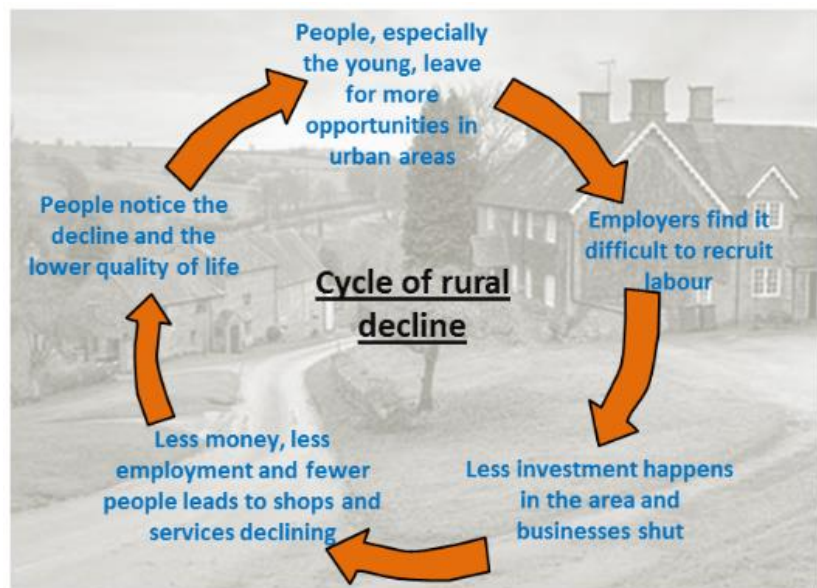
Around 19% of the UK population live in rural areas (countryside). Some rural places are growing because of counter-urbanisation (people moving from cities to the countryside). This can change what happens in rural areas:

### **Rural areas of growth:**

Countryside areas close to transport links and cities have grown in size because they are accessible. This means that many people will become commuters: living in the countryside and working in the city.

### **Rural areas of decline:**

Some are declining because they are so remote and far from city areas, so many young people move out to get a job and a social life.

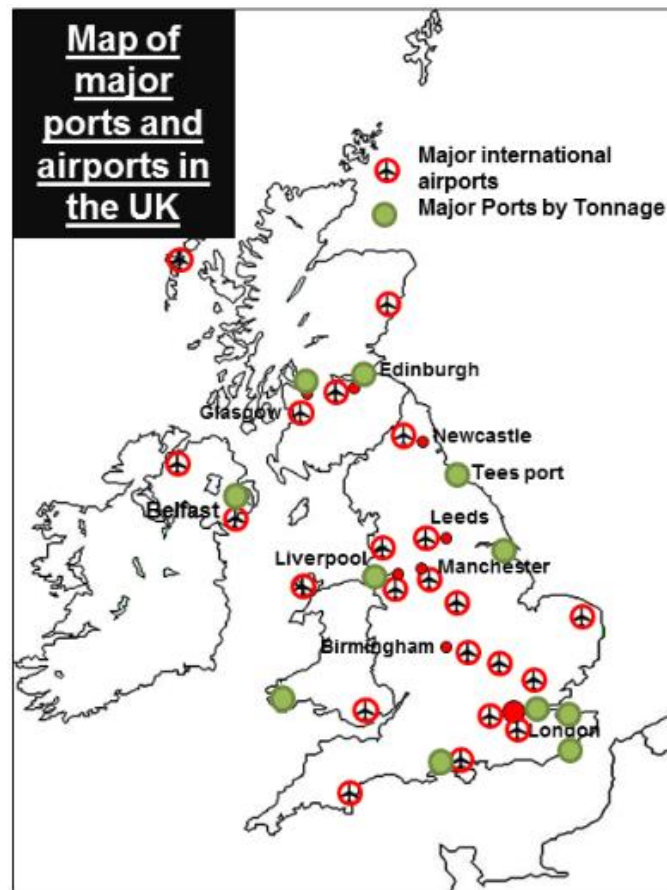


## **Developments in the UK infrastructure**

**Roads:** The Government invest a lot of money into roads and motorways to connect the UK. They are working with ways to reduce congestion and increase connections.

**Ports:** there is also a lot of investment in this. The London Gateway is a development on the north bank of the River Thames, 20 miles east of central London, which handles big container ships.

**Airports:** these connect us with the world. Heathrow and Gatwick act like 'hubs' to the rest of the world. There is a proposal to expand Heathrow to allow more people and business, but this comes at a cost to the environment



**Rail:** there is a proposed rail connection called HS2. That will connect the north and south. This will reduce journey time to London to the finance hub, be better for business, but is very expensive to build.

For HS2	Against HS2
<p>It will reduce the north-south divide by making industry grow.</p> <p>The cost of the HS2 (£20 billion) will go over 20 years</p> <p>22,000 construction jobs in the next 5 years</p> <p>Increase GDP by £15billion</p>	<p>The focus is still on London.</p> <p>250 acres of greenfield sites will be lost</p> <p>Train uses 50% more energy than Eurostar to France</p> <p>Money could be used elsewhere or to improve current services</p>

**The North South Divide in the UK**



There is a clear divide in the UK. The south generally earn more per week, receive more wealth, are more employed and live longer. However, each city has its issue (e.g. London has a big divide between rich and poor).

### Solutions to the divide:

They want to make 'The Northern Powerhouse' and connect all the major cities in the North to each other and to the south.

1. Improve transport links - this is the aim of HS2
2. Invest in science and innovation (technology)
3. Devolve the powers of the governments: this means that the Government in London won't make all the decisions for places in the north. It means that cities like us in Liverpool can make more decisions by themselves, for themselves.

### The UK's role in the world

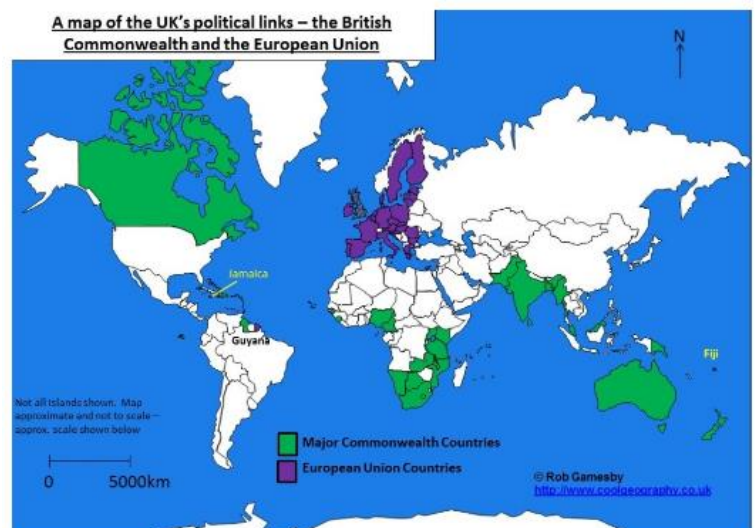
The UK depends heavily on trade with other countries. We trade all over the world, but mainly in the EU. The USA is a big trade partner for us. We have TNCs in other countries (e.g. Shell in Nigeria) and TNCs in our country (e.g. Coco-cola).

We have an extensive electronic communication network across the country and the world. The government wants 90% of the country to have superfast broadband by 2016 and link remote areas with satellite technology.

The UK has shown off its culture. English is the language of many countries and the main language for business. Our TV, sport and films are over the world. We have an extensive transport link from ports, airports and rail to connect us with Europe and the rest of the world.

### The Commonwealth

- Established in 1949 by the Queen as countries started to declare independence from our Empire.
- 53 countries
- Linked by history, language, democracy, human rights and rule of law
- Annual meetings of the heads of state to discuss common goals and interests
- UK benefits both politically and economically from trade



### The EU

- 27 countries with a common goal and easy trade links
- Makes big decisions together with Members of the European Parliament
- Passes laws on human rights and the environment
- Tries to settle differences
- Policies to control food production such as the Common Agricultural Policy