

CHAPTER

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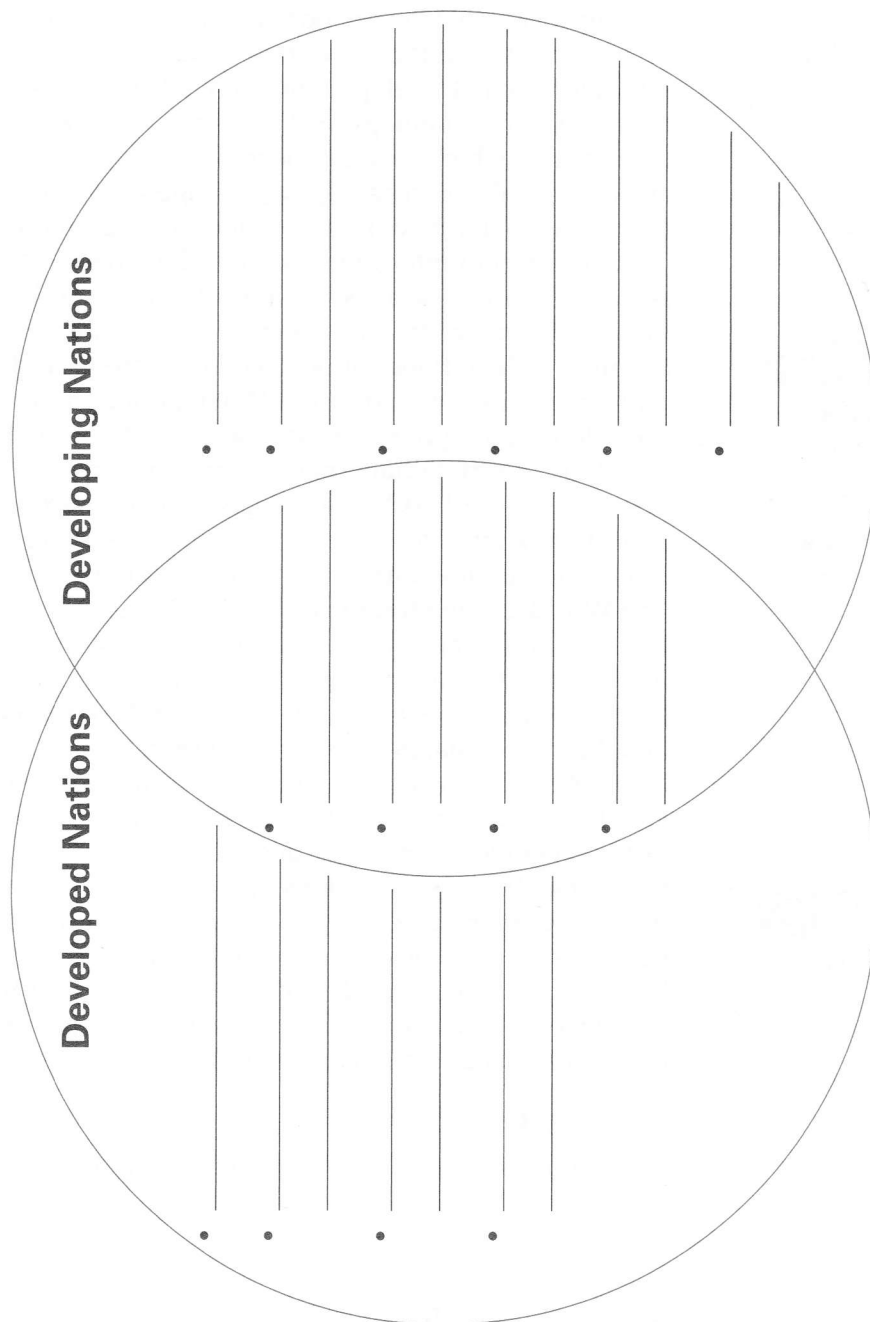
SECTION 2

Note Taking Study Guide

GLOBALIZATION

Focus Question: How is globalization affecting economies and societies around the world?

As you read this section in your textbook, use the Venn diagram to compare the effects of globalization on developed and developing nations.



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Section Summary

GLOBALIZATION

READING CHECK

What is globalization?

VOCABULARY STRATEGY

What does the word *assets* mean in the underlined sentence? Think about what it means if someone says that you are an *asset* to the team. Use this clue to help you figure out the meaning of *assets*.

READING SKILL

Compare and Contrast Compare and contrast the effect of borrowing capital on rich and poor nations.

Globalization defines the post-Cold War world. It is the process by which national economies, politics, and cultures become integrated with those of other nations. One effect of globalization is economic **interdependence**. This means that countries depend on one another for goods, resources, knowledge, and labor.

Improvements in transportation and communication, the spread of democracy, and the rise of free trade have made the world more interdependent. Developed nations control much of the world's capital, trade, and technology. Yet they rely on workers in developing countries, to which they **outsource** jobs to save money or increase efficiency. Globalization has also encouraged the rise of multinational corporations that have branches and assets in many countries.

One effect of interdependence is that an economic crisis in one region can have a worldwide impact. For example, any change to the global oil supply affects economies all around the world. Another example is debt. Poor nations need to borrow capital from rich nations in order to modernize. When poor nations cannot repay their debts, both poor nations and rich nations are hurt.

Many international organizations and treaties make global trade possible. The United Nations deals with a broad range of issues. The World Bank gives loans and advice to developing nations. The International Monetary Fund promotes global economic growth. The **World Trade Organization (WTO)** tries to ensure that trade flows smoothly and freely. It opposes **protectionism**—the use of tariffs to protect a country's industries from competition. Regional trade **blocs**, such as the EU in Europe, NAFTA in North America, and APEC in Asia, promote trade within regions.

Global trade has many benefits. It brings consumers a greater variety of goods and services. It generally keeps prices lower. It also exposes people to new ideas and technology. Nations involved in free trade often become more democratic. However, some people oppose globalization of trade. They claim that rich countries exploit poor countries. Some believe that globalization hurts indigenous peoples by taking away their lands and disrupting their cultures. Others say that the emphasis on profits encourages too-rapid development. This endangers **sustainability**, thereby threatening future generations.

Review Questions

1. What is the goal of the World Trade Organization?

2. How do consumers benefit from global trade?
