

Globalization

* Go around the room and ask 5 people where a piece of their clothing is from. Write down the name of the country each person says below.

* Where do you think most of the items you own come from?

**NOTES →Key Terms**

* **Globalization:** political and economic \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + **Impact:** Nations \_\_\_\_\_\_\_\_\_\_\_\_\_on one another for \_\_\_\_\_\_\_\_\_.  You have sneakers from China and a shirt from Vietnam.
* **Interdependence:** Countries are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_on one another for goods/services/resources.  They focus on producing what they are \_\_\_\_\_\_\_\_\_\_\_ at, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_it to other countries.
  + **Impact:** America produces \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ but is dependent on \_\_\_\_\_\_\_\_\_\_ for TVs, clothes, \_\_\_\_\_\_\_\_\_\_, MP3s.

**→Free Trade:**

* With more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ among countries comes more interdependence.
  + “We need them and they need us!”
* Also, more free trade means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_prices for consumers, since some goods can be made more cheaply in other \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**WAL-MART example**

* Why do you think Wal-Mart has been so successful?
* Why are products at Wal-Mart so cheap?
* Without free trade would this be possible?
* **Favorable Balance of Trade**: \_\_\_\_\_\_\_\_\_\_\_\_\_ more than you \_\_\_\_\_\_\_\_\_\_\_\_\_.
  + **Impact**:  Because America imports \_\_\_\_\_\_\_\_\_\_\_\_goods from China than we export to China we have an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_balance of trade with China.
* **Comparative Advantage:** A country should **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** in producing the goods it can produce more efficiently-at a lower \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_- than another country.
  + **Impact:**Germany produces \_\_\_\_\_\_\_\_ because it is better at producing cars than computers.  It has a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in car production and \_\_\_\_\_\_\_\_\_\_computers from Japan**.**

→ **Protections or Trade Barriers?**

* **Subsidies**: Gov’t \_\_\_\_\_\_\_\_\_\_ given to producers, to \_\_\_\_\_\_\_\_\_\_\_ the cost of production.
  + **Impact**: increases production (\_\_\_\_\_\_\_\_\_), decreases \_\_\_\_\_\_\_\_so that other \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_want to buy the products.
  + **Example**: US rice farmers get a \_\_\_\_\_\_\_\_\_\_, rice production goes **\_\_\_\_\_,** price of rice goes **\_\_\_\_\_\_\_\_\_**, Kenya and France now buy rice from the US.
* **Tariffs:**  \_\_\_\_\_\_\_\_\_\_\_\_ on \_\_\_\_\_\_\_\_\_\_goods

**Impact**: tariffs make consumers buy cheaper \_\_\_\_\_\_\_\_\_\_\_\_\_ goods over more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ products. Helps out our own industries.



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* + **Example:**  in the 1980s all \_\_\_\_\_\_\_\_\_\_\_\_\_\_ cars had tariffs, so people bought more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ cars.
* **Quotas**: A \_\_\_\_\_\_\_\_\_\_\_\_on the \_\_\_\_\_\_\_\_\_\_\_ of goods you can import from a certain \_\_\_\_\_\_\_\_\_\_\_.
  + **Impact:** protects \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ industry from cheap foreign goods.
  + **Ex:** The US can only import \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ kg of cotton from China
* **Embargoes:**When the gov’t makes it \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to trade with another nation.
  + **Impact:** Hurts the nation that\_\_\_\_\_\_\_\_ receive goods, often the people who live there suffer.
  + **Example**: US will NOT trade with\_\_\_\_\_\_\_\_\_\_\_\_\_ b/c it is communist
* **Excise Tax:** a tax on luxury goods.

**Example:** A tax on high end cars or cigarettes

**Impact:** If the U.S. added an excise tax on foreign sports cars, what would happen to the demand for American made sports cars?

**NAFTA**

* **North American Free Trade Agreement:** is an agreement signed by \_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_ and the United States in 1994.
* The goal of NAFTA was to eliminate \_\_\_\_\_\_\_\_ to trade between the US, Canada and Mexico. The implementation of NAFTA brought the immediate elimination of \_\_\_\_\_\_\_\_\_\_
* **Impact on Mexican farmers**: In 2000, U.S. government subsidies to the corn sector totaled $10.1 billion. These subsidies have led to charges of dumping, which jeopardizes \_\_\_\_\_\_\_\_ farms.
* “ Dumping” is when a producer exports a product to another country at a price below the price charged in its home market

**What were the pros and cons of NAFTA?**

* **Check your understanding:**

1. Why do nations trade to get some of their goods rather than just making them in their own country?
2. If France imports more goods from England than France exports to England, then France has a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ balance of trade with England.
3. If South Africa exports more goods to India than South Africa imports from India, then South Africa has a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ balance of trade with India.
4. What effect does a subsidy have on the cost of production?\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. Which trade barrier makes it illegal to trade with another nation?\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. Mexico will only allow 100,000 units of US beef into Mexico, what is this an example of?
7. What are the positive effects of free trade and globalization?
8. TVs used to be made mostly in America.  Today they are mostly made in China and Japan.  The price of TVs has declined so that many Americans can now afford them.  While now TVs are more affordable, in terms of unemployment and jobs why might this change be bad?
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