NO PREP

Globalization

Economic Interdependence and Transformation

Includes: Student reading, case study, differentiated questions, teacher key

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Name: Period: Date:

Globalization: Economic Interdependence and Transformation

Connecting Economies through Supply Chains

Globalization links nations into complex supply chains, where each stage of production—from raw materials to final assembly—can occur in different countries. Companies optimize costs by sourcing inputs from locations with the lowest opportunity cost, while tapping specialized labor pools. For instance, a smartphone might use semiconductors from Taiwan, screens from South Korea, assembly in China, and software in California. This interdependence raises efficiency but creates vulnerability: disruptions in one link—natural disasters or political unrest—can cascade globally, as seen when a 2011 tsunami in Japan stalled auto production worldwide.

Innovation and Cultural Exchange

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Innovation and Cultural Exchange

Trade and investment drive technology transfer and knowledge diffusion. Multinational corporations bring best practices, management expertise, and research collaboration to host countries. Local firms often hire globally trained professionals, fostering entrepreneurial clusters: Silicon Valley-like hubs in Bangalore and Shenzhen. Cultural globalization accompanies economic ties: food, music, and fashion cross borders, enriching societies but also sparking debates over cultural homogenization. Global consumer brands gain footholds everywhere, while local artisans leverage e-commerce platforms to reach international customers.

Impacts on Inequality and Environment

Globalization has lifted hundreds of millions out of poverty. China's extreme poverty rate, for example, fell from over 60 percent in 1990 to under 1 percent by 2015. But globalization has also exacerbated income inequality within and between countries. Skilled workers and capital owners in advanced economies capture most gains, while

low-skilled workers face wage pressure. Environmental costs mount as production shifts to countries with laxer regulations, contributing to carbon emissions and resource depletion. The challenge lies in managing globalization so that growth is inclusive and sustainable, aligning trade policies with labor and environmental standards.

Policy Challenges and Future Directions

Policymakers grapple with balancing open markets and social safeguards. Regional trade agreements increasingly include clauses on labor rights, environmental protection, and digital trade, reflecting broader agendas. Reshoring and nearshoring trends emerge as firms seek resilience, diversifying suppliers to mitigate risks. Debates over digital globalization—cross-border data flows, e-commerce taxes, and cybersecurity—are intensifying. The future will hinge on multilateral cooperation: revitalizing bodies like the WTO, coordinating tax rules for global digital firms, and forging climate-friendly trade pacts to ensure globalization serves shared prosperity.

Key Information: Table 1: Key Dimensions of Globalization

Dimension	Examples
Supply Chains	Electronics, automotive, pharmaceuticals
Investment Flows	FDI in manufacturing and services
Technology Transfer	Joint ventures; licensing agreements
Cultural Exchange	Streaming media; global brands
Regulatory Coordination	Trade-related labor and environmental rules

Case Study Excerpt: COVID-19 and Global Supply Chain Disruption

The onset of the COVID-19 pandemic in early 2020 exposed the fragility of global supply networks. When lockdowns shuttered factories in Wuhan—the epicenter of many critical components—production of automotive electronics, medical devices, and consumer electronics ground to a halt worldwide. With just-in-time inventory models ill-prepared for prolonged shutdowns, automakers in Detroit paused assembly lines, citing shortages of microcontrollers. Hospitals in Europe scrambled for personal protective equipment (PPE), facing months-long delays as production ramped up in Asian hubs. Countries responded by re-evaluating dependencies. The European Union launched initiatives to diversify suppliers and increase domestic PPE manufacturing. Japan and South Korea offered incentives to repatriate vital drug production. Companies built "safety stocks" and dual-sourcing strategies to hedge risks. By 2022, many firms adopted hybrid models—maintaining cost-effective offshore production while keeping critical component lines onshore. The pandemic taught that while globalization unlocks efficiency, resilience demands strategic localization and international cooperation in crisis management.

1. What supply-chain vulnerabilities did COVID-19 reveal, and how did firms adapt?

2. How did government policies evolve to strengthen supply-chain resilience?

Multiple Choice

1. A key benefit of foreign direct investment (FDI) under globalization is:

    a) Restricting cross-border technology flows

    b) Reducing international cultural exchange

    c) Promoting local job creation and skill development

    d) Increasing protective trade barriers

2. Cultural globalization can lead to:

    a) Homogenization of global tastes

    b) Increased local content requirements

    c) Isolation of domestic firms

    d) Lower product variety

3. Nearshoring aims to:

    a) Impose substantially higher tariffs on imports

    b) Increase reliance on distant global suppliers

    c) Eliminate all forms of foreign investment

    d) Move production closer to end markets for resilience

Matching

Write the letter of the correct definition on the line next to each term.

Term	Definition
1. ___ Just-in-Time	A) Bringing production back to home country
2. ___ Reshoring	B) Partnership between foreign and local firms
3. ___ Cultural Diffusion	C) Combining offshore efficiency with onshore backup
4. ___ Joint Venture	D) Spreading cultural elements across societies
5. ___ Hybrid Supply Model	E) Holding minimal inventory until needed

Fill-in-the-Blank

1. The pandemic highlighted the risks of _____ inventory systems.

2. _____ policies can incentivize domestic production of critical goods.

3. Globalization's environmental challenge often involves higher _____ emissions.

Short Answer

Answer each question in 2-4 complete sentences.

1. Explain how globalization can both spur innovation and widen inequality.

_____

_____

_____

2. Describe one way digital globalization differs from traditional trade.

_____

_____

_____

3. How can international institutions help manage globalization's negative effects?

_____

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