NO PREP

Globalization & Outsourcing

Connecting World Economies

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

Name: Period: Date:

Globalization & Outsourcing: Connecting World Economies

Drivers of Global Integration

Over the past half-century, globalization has accelerated through advances in transportation, communication, and trade liberalization. Container ships, jumbo jets, and high-speed rail link producers and consumers across continents, while the internet and fiber-optic cables enable instant coordination of complex supply chains. Free-trade agreements—like NAFTA, the EU Single Market, and the ASEAN Free

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Over the past half-century, globalization has accelerated through advances in transportation, communication, and trade liberalization. Container ships, jumbo jets, and high-speed rail link producers and consumers across continents, while the internet and fiber-optic cables enable instant coordination of complex supply chains. Free-trade agreements (like NAFTA, the EU Single Market, and the ASEAN Free Trade Area) have reduced tariffs and harmonized regulations, making cross-border commerce smoother. For students, understanding these drivers reveals how a smartphone assembled in Vietnam can contain components designed in Germany, programmed in India, and marketed in Brazil, illustrating the truly global nature of modern products. Technology firms leverage cloud computing, video conferencing, and collaborative software to manage decentral-ized teams, while logistics companies use real-time tracking to optimize shipping routes. As a result, businesses can outsource non-core functions (customer service, accounting, or manufacturing) to locations offering cost or skill advantages. These trends have reshaped labor markets, urban development, and cultural exchange, underscoring geography's continued relevance in a digitally connected world. Even as physical distance matters less, factors like time zones, legal frameworks, and language still shape patterns of global collaboration.

The Mechanics of Outsourcing

Outsourcing occurs when firms contract third-party providers, often in different countries, to perform tasks previously done in-house. Business process outsourcing (BPO) covers call centers, payroll processing, and HR services, commonly located in India, the Philippines, and Eastern Europe. Manufacturing outsourcing shifted assembly lines to China, Vietnam, and Mexico, where lower labor costs and favorable

trade regimes improved profit margins. Companies weigh cost savings, quality control, and intellectual property considerations when selecting partners, navigating complex legal and logistical challenges. Outsourcing can bring economic benefits: host countries gain employment, technology transfer, and foreign investment, while home countries see lower consumer prices and firms can reallocate resources to research, marketing, or product development. Yet critics highlight potential downsides: job losses in high-wage regions, wage suppression, and weakened labor standards. Students exploring outsourcing should analyze case studies to assess how firms balance efficiency with ethical responsibilities, and how governments negotiate policies (like minimum wage laws or data-privacy regulations) to manage outsourcing's impacts. Table 1: Major Drivers of Globalization

Global Value Chains and Economic Impacts

Globalization has given rise to global value chains (GVCs)—networks in which production is segmented across multiple countries. For instance, an automobile's design may originate in Germany, components manufactured in South Korea, and final assembly take place in Mexico. This specialization allows firms to exploit regional comparative advantages—skilled labor, natural resources, or technological expertise—optimizing costs and innovation potential. However, GVCs can concentrate economic gains unevenly. While lead firms in wealthy countries capture high-value activities—R&D, branding, and finance—manufacturing hubs may remain locked into low-margin assembly tasks. The COVID-19 pandemic exposed GVC vulnerabilities: factory shutdowns in one region halted production worldwide, prompting firms to reconsider just-in-time inventories in favor of supply-chain resilience. For students, examining GVCs highlights trade-offs between efficiency and risk, and why some governments now promote reshoring or near-shoring to reduce dependency on distant suppliers.

Key Information

Driver	Example	Impact
Trade Agreements	NAFTA, EU Single Market	Reduced tariffs; expanded market access
ICT Advancements	Broadband Internet, 5G	Faster coordination; real-time collaboration

Driver	Example	Impact
Logistics Innovations	Containerization, GPS tracking	Lower shipping costs; reliable delivery times
Cost Differentials	Labor wages in India vs. U.S.	Incentive to relocate routine tasks

Case Study Excerpt: Call Center Outsourcing in the Philippines

In the early 2000s, multinational corporations identified the Philippines as an ideal location for call center outsourcing. With a large English-speaking workforce, cultural affinity to Western media, and competitive labor costs—roughly one-tenth of U.S. wages—telecommunications investments soared. The government supported the industry by creating IT parks, offering tax incentives, and improving infrastructure. By 2010, the BPO sector accounted for roughly 4 to 5 percent of GDP and employed more than 500,000 workers. These jobs transformed urban centers like Makati and Cebu City, leading to new shopping malls, high-rise condominiums, and vibrant nightlife neighborhoods catering to young professionals. Women, who comprise nearly 70 percent of BPO employees, gained financial independence and career opportunities previously unavailable. Yet the industry also presented challenges: irregular shift schedules led to sleep disorders, and reliance on a single sector raised concerns over economic diversification. In response, policymakers partnered with universities to expand up-skilling programs in data analytics, cybersecurity, and game development, aiming to move the Philippines up the value chain into higher-paying digital services.

1. How did government policies support the growth of the Philippine BPO industry?

2. What social changes accompanied the rise of call center employment in urban areas?

Multiple Choice

1. Which technology most directly reduced coordination costs in GVCs?
    a) Steam engine
    b) Spinning jenny
    c) Telegraph
    d) Broadband internet

2. Near-shoring refers to relocating production:
    a) To neighboring or nearby countries
    b) Into rural areas inside the home country
    c) Further from home country
    d) To offshore tax havens

3. Outsourcing non-core tasks allows firms to focus on:
    a) Routine administrative duties
    b) Lowering product quality
    c) Core competencies like innovation
    d) Expanding unprofitable segments

Matching

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

Term	Definition
1. ___ Just-in-time (JIT)	A) Returning production to the home or domestic country
2. ___ Reshoring	B) Choosing locations based on cost or skill differentials
3. ___ Comparative advantage	C) Segmenting production across multiple countries
4. ___ Business process outsourcing	D) Reducing inventory through tight supply timing
5. ___ Global value chain	E) Contracting routine tasks to third parties

Fill-in-the-Blank

1. Containerization lowered _____ costs by standardizing shipping units.

2. Trade agreements reduce _____ such as import duties and quotas.

3. A global value chain is a network in which production is _____ across multiple countries.

Short Answer

Answer each question in 2-4 complete sentences.

1. Analyze one economic benefit and one social cost of BPO growth in developing countries.

_____

_____

_____

2. Explain why firms might pursue a mix of outsourcing and in-house production.

3. Discuss one policy measure governments can adopt to capture more value from GVCs.