The Pressures of Globalization
Ours is not the first era to experience globalization; many periods in history have seen globalization of varying forms. But globalization today distinguishes itself by its speed and size. Though the seeds of transformation were planted long before, the end of World War II marked the beginning of a new global era. The wave of globalization since 1945 has fundamentally changed the face of the international system and has dramatically changed the lives of people around the world.

What is globalization?
Globalization is an term that refers to the economic, political, cultural, and social transformations occurring throughout the world. It reflects the increased interdependence (dependence on each other) of various countries and people today. The movement of large numbers of people, as political and economic refugees or as voluntary immigrants seeking new lives, helps to spread ideas and establish connections that did not exist before among many cultures.

With globalization, economies around the world have grown increasingly interdependent. The production of goods now takes place on a global scale. For example, a good that used to be produced by a single business within one country may now be produced by the labor of many businesses located all around the world. Moreover, a growing international commitment to free trade among countries has given people around the world access to goods that were previously unavailable.

In addition to the exchange of goods across borders, financial traders move billions of dollars around the world every day with the click of a mouse. Many companies also have moved parts of their businesses across borders to countries where they can operate less expensively. For example, U.S. corporations have sought a competitive edge by opening factories in Latin America and Asia to take advantage of cheap labor. Meanwhile, Japanese and Western European companies have invested in the United States, hoping to benefit from U.S. research expertise and to tap the huge U.S. market. Today, a U.S. citizen’s economic well-being is closely linked to international trade relationships and international markets.

How has economic globalization affected the United States?
Today, the U.S. economy is still the world’s largest. The U.S. dollar serves as the most accepted currency of international trade. The United States is one of the world’s leading exporters and maintains a lead in many of the future’s most promising industries, including biotechnology, space technology, and computer software. But the United States no longer dominates the world economy as it did in 1950. While total manufacturing output in the United States has grown, the U.S. percentage of global manufacturing has fallen from half of the world output in the 1950s to about 8.5 percent today.

People in the United States have watched their automobile, steel, and consumer electronics industries become less competitive. Whereas in 1950 countries throughout the world turned to the United States as a supplier of capital (money for investment), today the United States is the world’s biggest borrower. Because the U.S. government routinely spends more than it has in its budget, it must rely on foreign lenders, including foreign governments, corporations, and individual investors, to finance government spending. In addition, the United States now faces large trade deficits—buying (importing) far more than it sells (exports). This is a big change from the trade surpluses routinely recorded in the 1950s and 1960s. A trade deficit is a problem because it means that the U.S. market is spending much more than it is earning from trade. Some suggest that the U.S. trade deficit
may have been a contributing factor to the global financial crisis of 2008. The change of
the U.S. position in the international economy does not mean that the United States has
become poorer. On the contrary, U.S. per capita income (average income per person) has
continued to increase even as countries in Western Europe and Asia have caught up
economically with the United States.

How has globalization affected trade?
Globalization has created new opportunities in international trade for many countries. In
the next twenty-five years, developing countries in Africa, Latin America, and Asia are likely
to account for about two-thirds of the increase in world imports. In 2006, exports from
developing countries made up approximately 36 percent of total world exports.
Nevertheless, global changes have not shaken the hold that rich countries have on the
world economy. In 2007, industrialized countries accounted for 71 percent of global
production although they had only 15 percent of the world's population.

Overall, economic globalization has had mixed and unequal effects. Some countries have
been successful because they have the resources to expand production worldwide and to
create goods that are in demand internationally. Individuals and small businesses have
access to much larger markets and to new buyers. On the other hand, some countries and
individuals have been hurt because they are not able to compete with strong foreign
producers.

Globalization has swept away the employment security of the past. Businesses large and
small must learn to compete on a global scale or be left by the wayside. Economists have
noted that the United States has been more successful than much of the world in adjusting
to these demands. The United States has, for the most part, turned the forces of change to
its advantage.

Why do some resent the presence of U.S. firms around the world?
The ability of U.S. firms to expand throughout the world has created resentment of
"Americanization" in many different countries. Some fear that the cultures and traditions of
their countries will be overwhelmed by the values, popular culture, technologies, and life-
styles of the United States.

"On top of it all, globalization has a distinctly American face: It wears Mickey Mouse ears, it
eats Big Macs, it drinks Coke or Pepsi and it does its computing on an IBM or Apple
laptop.... Therefore, while the distinction between what is globalization and what is
Americanization may be clear to most Americans, it is not to many others around the
world. In most societies people cannot distinguish anymore between American power,
American exports, American cultural assaults, American cultural exports and plain vanilla
globalization. They are now all wrapped into one."
—Author Thomas L. Friedman, 1999

Although globalization began as a U.S.-dominated process, in recent years the face of
globalization has begun to change. European businesses have gotten more powerful than
many of their U.S. rivals in size and market share. Many of the biggest and richest
companies in the world today are from so-called “emerging markets,” industrializing
developing countries like India, China, and Brazil. Additionally, there has been a dramatic
increase in the amount of trade not only from developing countries but among developing
countries, also called South to South trade. Much of this growth is a result of the rise in
trade agreements among countries throughout the world in recent years.
Trade Agreements
Trade agreements—agreements aimed at increasing trade between specific countries—became popular after World War II. A country might sign a trade agreement for any number of reasons, including to guarantee markets for its exports or to ensure a steady supply of a specific good like oil. Many of these agreements are signed with an aim to reduce barriers and create freer trade between countries. Others are much more ambitious. For example, the European Union has developed a single market, a single currency, and a political governing body, in addition to free trade, among its member nations. Trade agreements often are described as “preferential,” which means that only those countries who sign the specific agreement will trade on those terms. For example, while the United States might lower its tariffs on lumber from Canada according to a trade agreement, it will not lower its tariffs on lumber from other countries.

The majority of trade agreements are bilateral, that is, agreements between two countries. There are also multilateral agreements, which are between multiple countries. Some multilateral agreements are known as regional trade agreements because they are among countries within a specific region. The North American Free Trade Agreement (NAFTA), to which the United States, Mexico, and Canada are signatories, is an example of a regional trade agreement.

In recent years, the world has seen a large growth in the amount of regional trade agreements. The United Nations expects that there will be as many as four hundred of these agreements by 2010. There is debate both within the United States and around the world as to whether trade agreements are beneficial for individual economies. While many argue that everyone is made better off by more trade, some worry that by tying economies closer together, countries become more dependent on each other.

What is the WTO?
The World Trade Organization (WTO) is an international organization aimed at liberalizing trade. In July 2008, it had a membership of more than 153 countries that conduct more than 95 percent of world trade. WTO member states meet periodically to negotiate new trade regulations and to lower barriers to trade. The WTO then oversees the agreements that are signed and helps member states settle disputes. Disputes arise when one state believes another is breaking a WTO agreement and has an unfair advantage in trade. For example, the EU and the United States have each accused the other of providing unfair subsidies to major aircraft manufacturing companies that are in competition with each other. In addition to subsidies, another common problem is “dumping,” in which companies flood markets with goods priced far below what they cost to produce. Dumping disadvantages producers who are not subsidized. These producers lose business to the dumpers, who are able to sell below market value. If a country is found in violation of an agreement, it will be asked to change its policies. Between 1995 and 2006 there were approximately 350 disputes filed with the WTO.

Why do some groups criticize the WTO?
Some complain that the WTO’s processes are secretive and undemocratic. They argue that, despite the fact that every country gets one vote, some countries have more power than others. They claim that richer countries have more strength in negotiating because their economies are larger and more crucial to the world economy and also because they have more political power on the international stage. Oftentimes WTO negotiations expose disagreements and differences between industrialized and developing countries. Many developing countries express concern that richer countries push through agreements that hurt poorer countries. For example, the Uruguay round of negotiations in the 1990s placed
heavy obligations on developing countries to protect intellectual property rights (things like copyrights or trademarks) but did little to stop the massive subsidies that rich countries use to support their agricultural industries.

Among the general public, regular large scale protests at WTO meetings highlight the unease generated by the evolving international economic system. Organized labor (unions), environmentalists, human rights activists, and non-governmental organizations (NGOs) continue to protest the WTO and the free-trade policies that it represents. Many argue that WTO agreements do not do enough to make sure that trade helps alleviate poverty. Demonstrations against “globalization without representation” continue whenever the WTO convenes a meeting.

“...so unfair has the trade been, that not only have poorer countries not received a fair share of the benefits; the poorest region in the world, Sub-Saharan Africa, was actually made worse off as a result of the last round of trade negotiations.”
—Joseph E. Stiglitz, Nobel prize winner in economics

Some trade activists have introduced the term “fair trade” as an alternative to free trade. Supporters of fair trade call for reform of international trade—and the WTO in particular—to create an international marketplace in which everyone has an equal opportunity for gain. There may always be winners and losers, say fair trade advocates, but the winners should level the playing field. Fair trade would involve reducing government subsidies to industries and lowering tariffs on imports in rich countries, as well as banning the practice of dumping. Other opponents of the current trade system in the United States fear that the authority of the WTO will increase at the expense of U.S. independence. Under the General Agreement on Tariffs and Trade (GATT), each participating country had the power to veto GATT decisions. The WTO has eliminated this veto power. Instead, member states are forced to follow WTO rulings in international trade disputes.

Environmentalists, labor union leaders, and consumer advocates argue that foreign countries will use the WTO to attack U.S. regulations as unfair trade barriers. Laws intended to protect the environment, workers’ rights, and the health and safety of consumers could be especially vulnerable. Other critics raise concerns about the membership of the WTO and suggest that the U.S. should restrict trade relations with countries that do not respect basic human rights.

What other trade partnerships does the United States have?
The United States is also a part of the North American Free Trade Agreement (NAFTA), a regional trade agreement that took effect in 1994. NAFTA was created to lower barriers to trade among North American countries. In the United States, this means that U.S. exports are now cheaper for Mexican and Canadian consumers, and at the same time imports from Mexico and Canada are cheaper for U.S. consumers. Today, NAFTA is the largest trading partnership in the world, totaling close to $1 trillion in trade per year.

The United States is also in the process of negotiating a number of new bilateral, multilateral, and regional trade agreements. For example, U.S. policy-makers have been working since the 1990s to create a new trading bloc among countries in the Pacific Rim. The Asia-Pacific Economic Cooperation (APEC) members, which include countries like China, South Korea, Russia, the Philippines, Japan, Mexico, Chile, the United States, and Canada, are home to billions of people and account for more than half the world’s economic output.