## Globalization

1. The notion that national economies are relatively self-contained entities is on the rise.

2. For the last 50 years, the volume of goods, services and investment crossing national borders has consistently expanded faster than world output.

3. Today, the world economy is fast moving toward a world in which barriers to cross-border trade and investment are declining.

4. The shift toward a more integrated and interdependent world economy is referred to as globalization.

5. The merging of historically distinct and separate markets into one huge global marketplace is known as the globalization of markets.

6. The majority of U.S. firms that export are large multinationals that employ 500 or more people.

7. The most global markets currently are markets for industrial goods and materials that serve a universal need the world over.

8. Outsourcing is a process that is limited to manufacturing enterprises.

9. Because of their nature, service activities cannot be outsourced to other companies.

10. The World Bank is responsible for maintaining order in the American monetary system.

11. One of the UN central mandates is the promotion of higher standards of living, full employment and conditions of economic and social progress and development.

12. Underlying the trend towards greater globalization is technological change and a decline in barriers to the free flow of goods, services and capital.

13. According to the United Nations most changes between 1992 and 2005 to laws governing FDI have resulted in a less favorable environment for FDI.

14. According to WTO data, the volume of world merchandise trade has grown faster than the world economy since 1950.

15. The expansion of world trade implies that nations are becoming less dependent on each other for important goods and services.

16. Moore's Law predicts that the power of microprocessor technology doubles and its cost of production falls by half every 18 months.

17. Efficiency gains associated with containerization have caused transportation costs to fall dramatically.

18. The advent of commercial jet travel, by reducing the time needed to get from one location to another, has effectively shrunk the globe.

19. Today global communication networks and global media are creating a worldwide culture.

20. In the early 1960s, the United States was by far the world's dominant industrial power. However by 2006, it lost its dominant position and now is no longer the world's largest industrial power.

21. By 2004, the U.S. had seen its share of exports fall to almost half its share in the 1960s.

22. According to forecasts, a further relative decline in the share of world output and world exports accounted for by the United States and other long-established developed nations is unlikely.

23. A current trend in international business is the growth of medium-sized and small multinationals, known as mini-multinationals.

24. Today, the risks involved in doing business in countries such as Russia are low, but so are the returns.

25. If the free market reforms in China continue for two more decades, China may move from Third World status to industrial superpower status even more rapidly than Japan did.

26. Current trends indicate that the world is moving rapidly towards an economic system that is more favorable for international business.

27. Many economists, politicians and business leaders believe that the shift toward a more integrated and interdependent global economy is a positive trend.

28. The antiglobalization effort is created and supported only by a small group of hard-core anarchists.

29. The outsourcing of jobs, by corporations such as Dell, IBM or Citigroup, to low wage nations has received strong support in the United States because it allows firms to make higher profits and contributes to higher employment in the home nation.

30. Studies have shown that wage rates for unskilled workers in many advanced economies have fallen in recent years.

31. Recent evidence indicates that the solution to the problem of stagnant incomes among the unskilled is to be found in increasing society's investment in education to reduce the supply of unskilled workers.

32. A source of concern of critics of free trade is that it usually encourages firms from advanced countries to move manufacturing facilities to less developed countries that lack adequate regulations to protect labor and the environment from abuse.

33. According to supporters of free trade, as countries get richer they enact tougher environmental and labor regulations.

34. According to critics of globalization today's interdependent global economy limits a nation's national sovereignty.

35. Critics of globalization suggest that over the last century, the gap between the rich and poor nations of the world has shrunken.

36. Debt continues to be a major burden for poorer nations as they strive to get ahead.

37. Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts that their corrupt and dictatorial predecessors incurred and mismanaged long ago.

38. An international business is any firm that engages in international trade or investment.

39. The managers of an international business must decide whether it is ethical to adhere to the lower labor and environmental standards found in many less developed nations.

40. In general, managing an international business is a more complex task than managing a business that serves only the local market.

**Multiple Choice Questions**

41. Which of the following is not characteristic of globalization?
**A.** National economies are turning into independent economic systems
B. Material culture is starting to look similar the world over
C. Perceived distance is shrinking due to advances in transportation and telecommunications
D. Barriers to cross-border trade and investment are declining

42. Globalization has \_\_\_\_\_ the opportunities for a firm to expand its revenues by selling around the world and \_\_\_\_\_ its costs by producing in nations where key inputs are cheap.
A. Reduced, reduced
B. Increased, increased
**C.** Increased, reduced
D. Reduced, increased

43. Identify the incorrect statement concerning globalization.
A. It has been blamed for unemployment in developed nations, environmental degradation and the Americanization of popular culture
B. It has created new threats for businesses accustomed to dominating their domestic markets
**C.** It is transforming industries and is highly welcomed by those who believed their jobs were protected from foreign competition
D. According to most economists it is a very beneficial process where gains outweigh the losses by a wide margin

44. In the U.S., \_\_\_\_\_ percent of firms that export are small companies employing fewer than 100 people.
**A.** 90
B. 75
C. 50
D. 30

45. The most global markets currently are markets for
A. Services
B. Consumer goods
C. Consumer durables
**D.** Industrial goods

46. Which of the following is not an impediment that makes it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe?
**A.** Reduced transportation costs
B. Government regulations
C. Issues associated with economic and political risk
D. Barriers to foreign direct investment

47. The \_\_\_\_\_\_ is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by member states.
A. International Development Association
B. World Bank
C. International court of justice
**D.** World Trade Organization

48. The \_\_\_\_\_ was created in 1944 by 44 nations that met in Breton Woods, New Hampshire to promote economic development.
**A.** World Bank
B. World Monetary Fund
C. World Trade Organization
D. United Nations

49. The institution, created in 1944 at Bretton Woods, responsible for maintaining order in the international monetary system is the
**A.** IMF
B. WTO
C. UN
D. UNESCO

50. \_\_\_\_\_ occur(s) when a firm exports goods or services to consumers in another country.
**A.** International trade
B. Foreign direct investment
C. Inward investment
D. Merger and acquisitions

51. The \_\_\_\_\_ was established to remove barriers to the free flow of goods, services and capital between nations.
A. UN
B. IMF
**C.** GATT
D. IDA

52. GATT's Uruguay Round of negotiations resulted in all of the following except that it
A. Further reduced trade barriers
B. Extended GATT to cover services as well as manufactured goods
C. Provided enhanced protection for patents, trademarks and copyrights
**D.** Established the International Monetary Fund

53. Under the Uruguay Round of GATT,
A. Regulations to make it harder for foreign companies to enter markets were mandated
**B.** The World Trade Organization was established
C. The volume of world trade decreased
D. Barriers to trade in manufactured goods were incorporated

54. At the Doha Round of the WTO in late 2001
A. The WTO was established
B. GATT was extended to include services
C. World trade volume increased
**D.** An agenda was established to phase out subsidies to agricultural producers

55. The reduction in the average tariff rates on manufactured products since 1950 implies all of the following except that
A. Firms are dispersing parts of their production process to global locations to drive down production costs and increase product quality
B. The economies of the world's nation states are becoming more intertwined
**C.** Nations are becoming increasingly independent of each other for important goods and services
D. The world has become significantly wealthier since 1950

56. Identify the incorrect statement concerning the average yearly outflow of FDI.
**A.** It was about $1.0 trillion in 1975
B. It increased to $1.2 trillion in 2000
C. It decreased in the early 2000s
D. It was about $1.2 trillion in 2006

57. Which of the following statement regarding cross-border trade and investment is not ?
A. "Protection" from foreign competitors has been, at times, demanded by the United States
**B.** Forecasts indicate a return to the restrictive trade policies of the 1920s and 30s
C. If trade barriers decline no further they will put a brake upon the globalization of both markets and production
D. It is not clear whether the political majority in the industrialized world favors further reductions in trade barriers

58. The growing integration of the world economy is
**A.** Increasing the intensity of competition in a wide range of manufacturing and service industries
B. Decreasing the intensity of competition in manufacturing industries and increasing the intensity of competition in services
C. Increasing the intensity of competition in manufacturing industries and decreasing the intensity of competition in services
D. Narrowing the scope of competition in a wide range of service, commodity and manufacturing industries

59. Identify the incorrect statement pertaining to the World Wide Web
A. It makes it much easier for buyers and sellers to find each other
B. Viewed globally, it is emerging as an equalizer
**C.** It rolls back all of the constraints of location, scale and time zones
D. It allows businesses to expand their global presence at a lower cost than ever before

60. Since 1980, the world's containership fleet has more than \_\_\_\_\_, reflecting in part the growing volume of international trade
A. Doubled
B. Tripled
**C.** Quadrupled
D. Quintupled

61. Technological innovations have facilitated all of the following except
A. Globalization of production
B. Globalization of markets
C. Creation of electronic global marketplaces
**D.** Creation of absolutely homogeneous consumer markets

62. Although the characteristics of the global economy have changed dramatically over the past 30 years, as late as the 1960s all of the following demographic characteristics were , except:
A. The U.S. dominated the world economy
**B.** Small, U.S. entrepreneurial firms dominated the international business scene
C. The U.S. dominated the world foreign direct investment picture
D. Roughly half the world was governed by centrally planned economies of the Communist world

63. Which of the following observations is not ?
A. During the 1960s, the U.S. routinely accounted for 20 percent of world exports of manufactured goods
B. The U.S. share of world exports of goods and services had slipped to 9.8 percent by 2006
C. In 2006, United States was the world's largest exporter of goods and services
**D.** The growing economic development and industrialization of the world economy has led to an absolute decline in the health of the U.S. economy

64. Which of the following statements pertaining to the changing demographics of world GDP and trade from 1963 to 2006 is not ?
**A.** As emerging economies continue to grow, a relative decline in the share of world output and world exports accounted for by the U.S. seems unlikely
B. Forecasts predict a rapid rise in the share of world output accounted for by some developing nations
C. A decline in the share enjoyed by rich industrialized countries such as Great Britain, Germany, Japan and the U.S. is likely
D. If current trends continue, the Chinese economy could be larger than that of the U.S. on a purchasing power parity basis

65. Which of the following nation's world output has declined the least over the last 40 years?
A. France
B. United States
C. United Kingdom
**D.** Canada

66. As of 2006, which of the following countries had the largest share of world exports?
A. Germany
B. Japan
**C.** United States
D. China

67. Which of the following countries has had the maximum relative decline in its share of world output since 1963?
A. Canada
**B.** United States
C. Japan
D. Germany

68. Most forecasts now predict
A. A rapid decline in the share of world output accounted for by developing nations such as China, India and others
**B.** That if current trends continue, the economy of India will approach that of Germany
C. That today's rich nations may account for more than 60 percent of world economic activity by 2020
D. That today's developing nations may account for only about 38 percent of world economic activity by 2020

69. According to World Bank numbers
A. Developing nations currently account for more than 60 percent of world economic activity
B. Rich nations currently account for more than 70 percent of world economic activity
C. Today's rich nations may account for 55 percent of world economic activity by 2020
**D.** Today's developing nations may account for more than 60 percent of world economic activity by 2020

70. In the 1970s, many Japanese firms invested in North America and Europe
A. To avoid a highly competitive domestic market
B. To circumvent high domestic tariff barriers
**C.** As a hedge against unfavorable currency movements
D. To take advantage of low labor costs

71. What is the total cumulative value of foreign investments best referred to as?
A. Accumulation of foreign shares
B. Portfolio investments
**C.** Stock of foreign direct investments
D. Stock market investments

72. The share of the total FDI stock accounted for by \_\_\_\_\_ firms declined to about half from 1980 to 2005.
**A.** American
B. Japanese
C. German
D. French

73. The share of the total FDI stock accounted for by which of the following countries increased markedly from 1980 to 2005?
A. United States
**B.** France
C. United Kingdom
D. Netherlands

74. Firms based in \_\_\_\_\_ accounted for 11.9 percent of the stock of foreign direct investment in 2005, up from only 1.1 percent in 1980.
A. North America
**B.** Developing countries
C. United Kingdom
D. Netherlands

75. Which of these statements pertaining to cross-border FDI flows is ?
**A.** The growth of FDI resumed in 2004 and continued through 2006
B. A surge in FDI from 1995 to 1997 was followed by a slump from 1998 to 2000
C. Among developing nations, the largest recipient of FDI has been Russia
D. The dramatic increase in FDI reflects the decreasing internationalization of business corporations

76. Which of the following countries has been the largest recipient of foreign direct investment and received about $70 billion a year in inflows in 2005 and 2006?
A. Brazil
B. Russia
C. India
**D.** China

77. By 2005 some 27 of the world's 100 largest non-financial multinationals were
A. Chinese enterprises
B. British enterprises
**C.** U.S. enterprises
D. Japanese enterprises

78. According to UN data, the ranks of the world's largest 100 multinationals are dominated by firms from
**A.** Developed economies
B. Firms from China
C. Firms from Europe
D. Developing countries

79. Identify the incorrect statement regarding the former Communist nations of Europe and Asia.
**A.** The economies of most of the former Communist states are very strong and developed
B. Many of the former Communist nations of Europe and Asia share a commitment to free market economies
C. As a result of disturbing signs of growing unrest and totalitarian tendencies, the risks involved in doing business in these countries is very high
D. For about half a century these countries were essentially closed to Western international business

80. Which of the following observations concerning Latin American countries is ?
A. Complete restrictions on direct investment by foreign firms
B. Characterized by low growth, high debt and hyperinflation
C. Debt and inflation are up compared to previous decades
**D.** Substantial opportunities exist, but are accompanied by substantial risks

81. Which of the following statement pertaining to changes in the global economy of the 21st century is not ?
A. Barriers to the free flow of goods, services and capital have been coming down
B. Volume of cross-border trade and investment has been growing more rapidly than global output
**C.** National economies are becoming more independent and moving away from the global economic system
D. As economies advance, more nations are joining the ranks of the developed world

82. Which of the following does not help create an economic system that is favorable to international business?
**A.** Decreased privatization
B. Widespread deregulation
C. Open markets
D. Falling trade and investment barriers

83. In December 1999 anti-globalization protesters in Seattle targeted the \_\_\_\_\_, which was meeting to try to discuss cutting barriers to cross-border trade and investment and was seen as a promoter of globalization.
A. GATT
**B.** WTO
C. World Bank
D. IMF

84. When a company "exports jobs" overseas, the company is
A. Helping domestic workers by pushing up wage rates
B. Increasing the demand of qualified domestic workers
**C.** Taking advantage of lower wages in foreign markets
D. Deceiving the supporters of globalization

85. If the critics of globalization are correct, all of the following things must be shown except
A. The share of national income received by labor, as opposed to the share received by the owners of capital should have declined in advanced nations
B. Even though labor's share of the economic pie may have declined, living standards need not deteriorate if the size of the total pie has increased sufficiently to offset the decline in labor's share
C. The decline in labor's share of national income must be due to moving production to low-wage countries, as opposed to improving production technology and productivity
**D.** Economic growth in developed nations has offset the fall in unskilled workers' share of national income, raising their living standards

86. A study by the OECD, whose members include the 20 richest economies in the world, noted that
A. The gap between the poorest and richest segments of society in all OECD countries widened
**B.** In almost all countries real income levels rose over the 20-year period studied
C. The incomes of the poorest segment of most OECD nations fell
D. The gap between rich and poor had narrowed in all OECD countries

87. Critics of globalization maintain that the apparent decline in real wage rates of unskilled workers
A. Owes far more to a technology-induced shift within advanced economies toward jobs that require significant education and skills
**B.** Is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers
C. Has been impacted most by technological change
D. Can be checked by increasing society's investment in education to reduce the supply of unskilled workers

88. Before NAFTA was passed
A. Mexico agreed to establish a higher minimum wage
**B.** The U.S. agreed to limit the number of jobs that could be exported to Mexico
C. Mexico committed to tougher enforcement of environmental protection regulations
D. Canada committed to establish new limits of FDI

89. Which of the following is not a concern of critics of globalization and supranational organizations?
A. Unelected bureaucrats of supranational organizations would impose policies on the democratically elected governments of nation-states
B. Supranational organizations would undermine the sovereignty of democratically elected states
C. A nation's ability to control its own destiny would be limited by supranational organizations
**D.** Real power would reside with individual nation-states, not supranational organizations

90. Many of the world's poorer nations suffering from economic stagnation are being held back by
**A.** Large debt burdens
B. Strong protection of property rights
C. Economic policies that create wealth
D. Decreased barriers to free trade

**Essay Questions**

91. With the help of an example discuss the characteristics of globalization.

Globalization refers to a fundamental shift in the world economy in which national economies are no longer relatively self-contained entities. Instead, nations are moving toward an interdependent global economic system. Within this new global economy, an American might drive to work in a car designed in Germany that was assembled in Mexico by DaimlerChrysler from components made in the U.S. and Japan that were fabricated from Korean steel and Malaysian rubber.

92. How has globalization changed the business environment?

Globalization has created many opportunities for businesses to expand their revenues by selling around the world while at the same time reducing their costs by producing in nations where labor and other inputs are cheap. However, globalization has also produced new threats for companies in the form of increased competition.

93. Explain what is meant by the globalization of markets. Provide an example. What are the most global markets?

The globalization of markets refers to the idea that historically distinct and separate national markets are merging into a single, huge global marketplace. For example, Coca-Cola, Starbucks and McDonald's offer the same basic product worldwide and are in fact, not only a part of the trend, but facilitators of the trend as well. The most global markets are not actually for consumer goods, but instead are for industrial goods and materials that serve the same needs across the world.

94. Discuss the concept of the globalization of production.

The globalization of production refers to the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of factors of production. Companies that capitalize on this trend are able to outsource production to the best suppliers in the world and should therefore end up with a better final product.

95. Explain how a company competes using outsourcing. Provide an example.

Companies compete by outsourcing manufacturing activities to the optimal location wherever in the world that may be given production and transportation costs. IBM for example, designed a laptop computer in the U.S., outsourced production of the case, keyboard and hard drive to Thailand, produced the display screen and memory in South Korea, the wireless card in Malaysia and the microprocessor in the U.S. The final product was assembled in Mexico and was then exported to the U.S. for sale.

96. What is the World Trade Organization? What is its role in the world economy?

The World Trade Organization (WTO) is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO members. The WTO currently has 148 members that collectively account for 97 percent of world trade. The WTO has been instrumental in lowering barriers to cross-border trade and investment. In addition to these responsibilities, the WTO also facilitates the establishment of additional agreements between member states.

97. What is the International Monetary Fund? What is the World Bank? What is their relationship, if any, with each other?

The International Monetary Fund (IMF) was created to maintain order in the international monetary system. The World Bank was established to promote economic development. Both organizations were launched as part of the 1944 Bretton Woods Agreement and have emerged as significant players in the global economy.

98. Explain the trends in world trade and foreign direct investment over the last half century.

Since 1950, the volume of world merchandise trade has grown faster than the world economy. In particular, there has been acceleration in world trade since 1980. This trade and investment pattern implies that firms are dispersing parts of their production to different locations around the world to drive down production costs and increase product quality, that the economies of the world's nation states are becoming more intertwined, that foreign direct investment is playing an increasing role in the global economy as firms increase their cross-border investments and that the world has become significantly wealthier over the last 50 years.

99. How has technological change affected global markets? What key innovations have changed the nature of how "we do business?"

Major advances in communication, information processing and transportation technology have facilitated the globalization of markets and production. The microprocessor and the Internet have been central to the technology explosion. The development of the microprocessor vastly increased the amount of information that can be processed by individuals and firms and the growth of the Internet has allowed companies to expand their global presence at a fraction of the cost of more traditional methods of business.

100. Explain the notion of the Web emerging as an equalizer.

In 1990, fewer than one million users were connected to the Internet. By 2006, the Internet had 747 million users. For companies, the Web is emerging as an equalizer as it minimizes the constraints of location, scale and time zones. Using the Internet, buyers and sellers can find each other regardless of location, allowing businesses, both large and small, the opportunity to expand their global presence at a lower cost than ever before.

101. Innovations in transportation have had a major impact on global trade. Consider one of these innovations: containerization. Why is this innovation so significant?

Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances. Emerging in the 1970s and 1980s, containerization spelled an end to the costly and lengthy business of loading and unloading ships, trucks and trains. Cost savings associated with containerization are significant. Between 1920 and 1990, average ocean freight and port charges per ton fell from $95 to $29. Air transportation saw a similar decline, as did trucking.

102. Discuss the demographics of world trade since the 1960s. How has the role of the U.S. changed? How is world trade expected to change in the future?

In the early1960s, the U.S. was the world's dominant industrial power accounting for over 40 percent of world output. By 2006, the U.S. was still the world's largest industrial power, but accounted for only about 20 percent of world output. Other industrialized countries also saw their relative standing slip. Taking their place as active exporters are the newly industrializing countries of South Korea and China. Most forecasts predict that the share of world output accounted for by developing countries such as China, India and Mexico will rise over the next 20 years, while at the same time rich industrialized countries will continue to see their share of world output decline.

103. How has the foreign direct investment picture changed since the 1960s?

The U.S. accounted for about two-thirds of worldwide foreign direct investment flows in the 1960s, followed by British firms with about 10 percent of FDI flows and Japanese firms with 2 percent. As barriers to trade fell, non-U.S. firms increased their investments around the world in search of optimal production locations and a direct presence in major markets. During the 1990s, FDI to both developed and developing nations increased dramatically. China also emerged as an important destination for FDI.

104. What is a multinational enterprise (MNE)? How does a mini-multinational differ from an MNE?

A multinational enterprise is any business that has productive activities in two or more countries. In the1960s nearly half of the world's 260 largest MNEs were American. By 2002, just 28 percent world's 100 largest MNEs were from the U.S. Firms from developing countries are expected to emerge as important competitors in the world economy. The number of mini-multinationals is also on the rise. Mini-multinationals are medium-sized and small MNEs.

105. Many companies are keeping their eyes on China. Why is China so important to international business?

International companies are excited about China because with its 1.3 billion people it represents a huge and largely untapped market for goods and services. Companies are so interested in its potential that FDI to China surged between 1983 and 2004, going from less than $2billion in 1983 to $70 billion in 2006. However, while China remains a very attractive market, companies must beware of the competition that is beginning to emerge form the country.

106. Consider the global economy of the 21st century. What important changes are taking place? What do these changes mean for international companies?

The last 25 years have been a time of great change in the global economy. Barriers to the free flow of goods, services and capital have been falling, national economies are becoming more integrated and more countries are joining the ranks of the developed world. All of these changes point toward an economic system that is more favorable for international business.

107. Consider whether the shift toward a more integrated and interdependent global economy is a good thing. Discuss the shift from the eyes of the consumer, the worker, the company and the environmentalist.

There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels and provides consumers with more choices in regard to the products and services that are available to them. From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale) and boost profits.
However, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. Critics argue that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. Critics also argue that globalization encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries to avoid the more stringent pollution controls in place in their home countries.

108. Discuss what occurred in Seattle in 1999 at the meeting of the WTO and why the events were important to the future of global trade.

In December 1999, more than 40,000 protesters blocked the streets of Seattle in an effort to shut down a WTO meeting being held in the city. The issue was job losses in industries under attack from foreign competitors, falling wage rates of unskilled workers, environmental degradations and cultural imperialism of global media and MNEs. Protesters believed that all of these issues were the result of globalization and felt that the WTO, as a promoter of globalization, was a legitimate target for blame. The protest was a violent one and emboldened by the experience its experience, antiglobalization protesters now turn up at almost every major meeting of a global institution.

109. Falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies. Discuss this statement. Do you agree? Why or why not?

Critics argue that falling trade barriers allow firms to move manufacturing activities to countries where wage rates are much lower. Because of such moves they argue that, the wage rates of poorer Americans have fallen significantly over the past quarter of a century.
Supporters of globalization reply that critics of these trends miss the essential point about free trade—the benefits outweigh the costs. They argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently.

110. Discuss the effect of globalization on national sovereignty.

Critics of globalization argue that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations. They feel that unelected bureaucrats now impose policies on the democratically elected governments of nation-states, thereby undermining the sovereignty of those states and limiting the nation's ability to control its own destiny.
In contrast many economists and politicians maintain that the power of supranational organizations is limited to what nation-states collectively agree to grant. They argue that these bodies exist to serve the collective interests of member states, not to subvert those interests.
Supporters of supranational organizations point out that the power of these bodies rests largely on their ability to persuade member states to follow a certain action. In this view, real power still resides with individual nation-states, not supranational organizations.