

We live in a time of worldwide change. What happens in one part of the world impacts people on the other side of the world. People around the world are influenced by common developments.

The term “globalization” is used to describe this phenomenon. According to Harris, the term is being used in a variety of contexts. In a very broad context, media use it almost daily to refer to a wide variety of political, sociological, environmental, and economic trends.



The business world, however, uses this term in a much narrower context to refer to the production, distribution, and marketing of goods and services at an international level. Everyone is impacted by the continued increase of globalization in a variety of ways. The types of food we eat, the kinds of clothes we wear, the variety of technologies that we utilize, the modes of transportation that are available to us, and the types of jobs we pursue are directly linked to “globalization.” Globalization is changing the world we live in.

Causes of Globalization

Harris indicates that there are three main factors contributing to globalization.

These factors include:

1. The reduction in trade and investment barriers in the post-World War II period.

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2. The rapid growth and increase in the size of developing countries' economies.
 3. Changes in technologies.

Trade Agreements

Originally, each nation established its own rules governing foreign trade. Unfair regulations and tariffs were often the outcome, leading to the tariff wars of the 1930s.

Nations have found it convenient . . . to agree to rules that limit their own freedom of action in trade matters, and generally to work toward removal of artificial and often arbitrary barriers to trade.

Many trade agreements exist in the world today. Three of those agreements (General Agreement on Tariffs and Trade [GATT], the European Community, and the North American Free Trade Agreement [NAFTA]) have had or will have a significant impact on the United States.

GATT. The first trade agreement of major significance was the General Agreement on Tariffs and Trade. GATT was aimed at lowering tariff barriers among its members. The success of the organization is evidenced by its membership. Originally signed by 23 countries in 1947, the number of participating countries continues to grow.

The Uruguay Round of GATT is the most ambitious trade agreement ever attempted. Some 108 nations would lower tariff and other barriers on textiles and agriculture goods; protect one another's intellectual property; and open their borders to banks, insurance companies, and purveyors of other services.

The European Community. The European Community is another example of how trade agreements impact the production, distribution, and marketing of goods and services. The 12 member nations of the European Community have dismantled the internal borders of its members to enhance trade relations.

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