

## V. Globalization

### A. Defining

1. Since the world is becoming more interconnected.
2. Economic, Political, and Cultural

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### B. Multinational Corporations (MNCs)

1. Defined as having a corporate HQ in one country and production facilities in another.
2. MNCs = Transnational Corp.

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### 3. Most are conglomerates

- a) Conglomerate: When a business owns 4 or more companies from different industries.
- b) Vertically Integrated: - When a business owns plants in each stage of manufacturing.

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### C. Outsourcing

1. Process of moving production outside of the U.S. (host country → other countries)
2. Lower Labor Costs, Lower Taxes, Cheaper land
3. Sub. Principle

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### D. Foreign Direct Investment + Special Economic Zones.

1. FDI is when a business invests in a foreign country.
2. Countries wanting to attract FDI will set up Special economic zones.
  - a) Huge Tax breaks, low environmental restrictions

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### 3. Export processing zone

- loose labor restrictions in LDCs
- free trade zones

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### E. Maquiladoras

1. Mexico established special economic zones on the northern border w/ US.
2. MNCs can outsource labor to these Maquiladora's, so they can take advantage of Mexico's labor costs.
3. Goods shipped to US Tax free.

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