

Exercise walk-through

11.6

Globalisation

A-Level Economics

Relationships between countries

trade – raises income, but volatile primary-export prices

aid & **debt** – fund development, but risk dependency & repayment drain

FDI – money, jobs, technology, but profits may flow abroad

migration – eases unemployment & sends **remittances**, but can drain skills

How rich and poor countries are linked

trade

opens markets and raises income – but a country dependent on one commodity is exposed to its world price

aid

can fund schools and roads – but it may create **dependency**, or be wasted or diverted

FDI

a **multinational** brings money, jobs and technology – but **profits leave** the country and local firms may be squeezed out

debt

borrowing funds development – until repayments exceed what development earns

migration

remittances are a major income source – against the loss of the skilled workers who sent them

Every link has a good and a bad side, and the exam always wants both. An answer with only the benefits caps at the description band.

The links between rich and poor countries

Trade

Can raise incomes – but many developing countries depend on a few primary exports whose prices swing sharply.

Aid and debt

Aid funds schools and roads, but may create dependency; **debt** can pay for development, and repaying it can drain a poor country's budget.

FDI

Foreign direct investment (FDI) by a **multinational corporation** brings money, jobs and technology – while profits may flow back abroad and workers may be poorly treated.

Migration

Eases unemployment and brings **remittances** home, but can drain a country of its most skilled people.

Every link on this slide has two sides. An evaluation mark comes from saying *under what conditions* the good side wins.

Globalisation



Globalisation ties economies together; countries join a **trade bloc** (e.g. the EU).

- + lower prices, faster growth, larger markets
- – lost jobs, wider gaps, more pollution

Globalisation: what it is, and what it does

globalisation

growing links between countries – in trade, money, technology and people – so the world acts more like **one market**

a trade bloc

a group trading freely among themselves, like the European Union – free inside, common barriers outside

the gains

faster growth, technology transfer, and poorer countries able to **industrialise**

the costs

the gap between rich and poor can **widen**, and powerful multinationals may avoid tax and dodge **protectionism** rules

and

cultural and environmental effects that no trade statistic records

Globalisation raises **total** world output while distributing it unevenly. Both halves of that sentence are needed for the evaluation mark.

Exercises 2.1-2.3

2.1 Define the term *globalisation*.

[2]

2.2 Define the term *trade bloc*.

[2]

2.3 State one cause of globalisation.

[1]

Exercises 2.1-2.3

2.1 Define the term *globalisation*. [2]

2.1

- the growing economic links between countries – in trade, money, technology and people
– so the world acts more like one market (2 for a clear definition; 1 for a partial idea)
-

2.2 Define the term *trade bloc*. [2]

2.2

- a group of countries that agree to trade freely among themselves (e.g. with no tariffs),
such as the European Union (2 for a clear definition; 1 for a partial idea)
-

2.3 State one cause of globalisation. [1]

2.3

- any one of: cheaper transport and communication; free-trade agreements; the spread
of multinational firms (1)

Exercises 3.1-3.2

3.1 Which is a **benefit** of globalisation?

[1]

☐

A the loss of some domestic jobs to cheaper countries

B lower prices and more choice for consumers

C more pollution and use of resources

D a wider gap between rich and poor

3.2 Explain two benefits of globalisation for a developing country.

[6]

Exercises 3.1·3.2

3.1 Which is a **benefit** of globalisation?

[1]

☐

A the loss of some domestic jobs to cheaper countries

B lower prices and more choice for consumers

C more pollution and use of resources

D a wider gap between rich and poor

3.1 B

- Lower prices and more choice are a benefit of globalisation

3.2 Explain two benefits of globalisation for a developing country.

[6]

3.2

- [6] For **each** of two benefits: AO1 1 + AO3 up to 2 – e.g. *larger markets*: firms can export to the world
- higher sales and economies of scale
- faster growth. *Technology and investment*: FDI and trade bring modern methods
- higher productivity
- industrialisation. Maximum 3 each

Exercise 3.3

3.3 Discuss whether globalisation benefits developing countries more than developed countries. [12]

Exercise 3.3

3.3 Discuss whether globalisation benefits developing countries more than developed countries. [12]

3.3

- [12] AO1/AO2/AO3 up to 8 + AO4 up to 4. **Developing gains:** access to large markets, FDI, technology, and a route out of poverty through industrialisation. **Developed gains:** cheaper imports, larger markets and profits for multinationals. **Costs (both):** lost jobs, inequality, pollution, and powerful firms avoiding tax. **Judgement:** both gain, but unevenly – developing countries can gain most *if* they industrialise and share the gains, yet they are also more exposed to volatile prices and exploitation; it depends on each country's policies