6.3 Business and the international economy

Name: _____ Class: _____ Date: _____ **Total: 19 marks**

KEY WORDS multinational • tariffs • globalisation • exchange rates • import

Objective

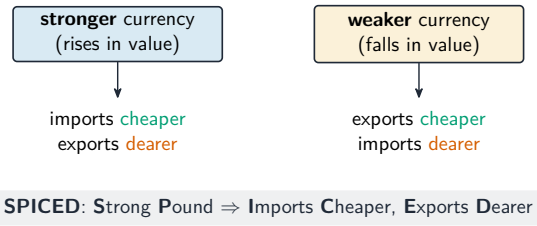
Build the skills to answer exam questions on **business and the international economy** – **globalisation**, **multinational companies**, and how **exchange rates** affect trade.

You must be able to:

- define globalisation and explain why it has grown
- describe the benefits and drawbacks of multinationals
- explain how a change in the exchange rate affects importers and exporters

1 Key knowledge and worked examples

Exchange rates and trade



SPICED: Strong Pound → Imports Cheaper, Exports Dearer

- **Globalisation**: growing trade and movement of goods, money and people – grown from cheaper transport, the internet, fewer **tariffs**.
- **Multinational**: makes/sells in more than one country – brings jobs and investment, but profits may leave and local firms may be forced out.
- **Stronger currency** → exports dearer, imports cheaper. **Weaker currency** → exports cheaper, imports dearer.

Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

2 Practice

2.1 Define the term *globalisation*. [2]

2.2 Define the term *multinational company*. [2]

2.3 State the effect of a **weaker** currency on the price of exports. [1]

3 Exam-style questions

3.1 Identify two benefits to a country of a multinational company locating there. [2]

3.2 Explain two drawbacks to a country of a multinational company locating there. [6]

3.3 A country's currency has become stronger. Do you think this is good for a business that exports most of its goods? Justify your answer. [6]

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- **globalisation** is growing trade and movement of goods, money and people, so the world acts more like **one market** (K)

2.2

- a **multinational** makes or sells in **more than one country** (K)

2.3

- a weaker currency makes **exports cheaper** to foreign buyers (K)

3.1

- any **two** of: new jobs and training / investment and technology / more choice and lower prices / more tax (K, K)

3.2

- for **each** of two drawbacks: K + An, max 3 each
- e.g. **profits leave**: sent back to the home country → less money stays locally
- e.g. **local firms forced out**: a large cheap multinational → small firms close

3.3

- **bad for an exporter**: exports dearer for foreign buyers → they buy less → sales fall
- **some good**: imported materials become cheaper
- **judgement (Ev)**: mostly bad for an exporter – it depends on how much the firm relies on exports versus imported materials