Drawbacks of Globalisation

Although globalisation has increased trade, growth and living standards, there are also several disadvantages.

1. Increased Inequality

Not everyone benefits equally from globalisation.

- Highly skilled workers often gain higher incomes.
- Low-skilled workers may lose jobs if production moves overseas.
- The gap between rich and poor can increase.

2. Dependence on Other Countries

Countries may become too reliant on imports.

This can be a problem if:

- Supply chains are disrupted.
- Trade is restricted.
- Political conflicts occur.

As a result, shortages and rising prices may occur.

3. Cultural Homogenisation

Global brands may replace local businesses and traditions.

Examples include:

- McDonald's
- Starbucks
- Netflix

Some argue this reduces cultural diversity.

🏢 Multinational Corporations (MNCs)

What is an MNC?

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A multinational corporation (MNC) is a business that operates in more than one country.

Examples:

- Apple
- Nike
- Amazon
- McDonald's

✅ Positive Effects of MNCs

Job Creation

MNCs often build factories, offices and stores in host countries.

This:

- Creates employment
- Increases incomes
- Improves living standards

Economic Growth

Investment by MNCs increases production and spending.

This can increase:

- GDP
- Employment
- Tax revenue

Technology Transfer

MNCs often introduce:

- New technology
- New production methods
- Better management techniques

This may improve productivity.

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Skills Development

Workers may receive training and gain new skills.

This can increase human capital within the economy.

❌ Negative Effects of MNCs

Exploitation of Workers

Some MNCs may:

- Pay low wages
- Offer poor working conditions
- Require long working hours

Repatriation of Profits

Profits are often sent back to the firm's home country.

As a result:

- Less money remains in the host economy
- Economic benefits may be reduced

Crowding Out Local Businesses

Large MNCs often have:

- More resources
- Stronger brands
- Greater economies of scale

This may force smaller local firms out of business.

🌬️ Environmental Impact of Globalisation

Negative Effects

Increased Transport

Globalisation increases international trade.

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This leads to:

- More shipping
- More air travel
- Higher carbon emissions

Increased Production

More production can result in:

- Pollution
- Deforestation
- Resource depletion

Climate Change

Economic growth and industrialisation contribute to greenhouse gas emissions.

Potential Positive Effects

Globalisation can help spread:

- Green technology
- Renewable energy innovations
- Environmental awareness

Countries can learn from each other's environmental policies and technologies.

🌍 Effects on Developing and Developed Countries

The impact of globalisation differs depending on a country's level of development.

Developing Countries

Benefits

- Foreign Direct Investment (FDI)
- Job creation

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- Economic growth
- Technology transfer
- Improved infrastructure

Examples:

- India
- Vietnam
- Bangladesh

Costs

- Low wages
- Poor working conditions
- Environmental damage
- Dependence on foreign firms

Developed Countries

Benefits

- Cheaper imports
- Greater consumer choice
- Access to larger export markets
- Lower costs for businesses

Examples:

- UK
- USA
- Germany

Costs

- Manufacturing jobs may move abroad
- Increased competition from foreign firms

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- Structural unemployment in some industries

🌍 Trade

What is Trade?

Trade is the buying and selling of goods and services between countries.

Countries trade because:

- Resources are unevenly distributed.
- Countries specialise in different products.
- Trade increases efficiency.

Benefits of Trade

Lower Prices

Countries can import goods produced more cheaply elsewhere.

Greater Choice

Consumers have access to a wider range of products.

Economic Growth

Trade increases:

- Output
- Employment
- Income

Increased Efficiency

Countries focus on what they do best.

Drawbacks of Trade

Dependence on Other Countries

Countries may become vulnerable to disruptions in trade.

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Job Losses

Some domestic industries may struggle to compete with imports.

Environmental Costs

Trade increases transport emissions and pollution.

🎯 Specialisation

Definition

Specialisation occurs when individuals, firms or countries focus on producing a limited range of goods and services.

Benefits of Specialisation

Increased Productivity

Workers become more skilled through repetition.

Greater Efficiency

Resources are allocated more effectively.

Economies of Scale

Large-scale production reduces costs.

Higher Output

Countries can produce more goods and services.

Drawbacks of Specialisation

Dependence on One Industry

Countries may become vulnerable if demand falls.

Example:

- Oil-exporting countries when oil prices fall.

Lack of Diversification

Economic shocks can have a larger impact.

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Structural Unemployment

Workers may struggle to find new jobs if demand changes.

☑ Absolute Advantage

Definition

A country has an absolute advantage when it can produce more of a good using the same quantity of resources than another country.

Example

Country	Cars Produced
UK	20
France	10

The UK has the **absolute advantage** in car production because it produces more cars with the same resources.

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