Chapter 9: Worksheet mark scheme (35 marks)

1 Define the following terms:

a globalisation **(2)**
The free trade (unrestricted by trade barriers) of goods, capital and labour in worldwide markets.

b tariff **(2)**
A tax imposed on an imported product.

c quota. **(2)**
A restriction on the number of products that may be imported into a country or trading bloc in a particular period of time (usually one year).

2 What is the difference between an international business and a multinational business? **(2)**

An international business has a base in one country and trades abroad, whereas a multinational company trades internationally from bases in more than one country.

3 State **three** reasons why businesses become multinational. **(3)**

- closer to markets/expanding markets, so transport is cheaper
- lower production costs in other countries, e.g. rent, labour
- government incentives
- to avoid import restrictions
- access to local natural resources

4 State **four** benefits and **four** disadvantages of multinational businesses for the host country (a frequent subject of exam questions). **(8)**

Benefits:
- foreign investment
- creates goods for export, bringing in more foreign currency
- jobs created
- local businesses may supply goods/services
- GDP rises
- improves local expertise/knowledge
- improved standard of living
- taxes paid to government rise
- taxes can be used to improve local infrastructure

Disadvantages:
- pollution
- local businesses may not be able to compete
- dilution of local culture
- depletion of local natural resources
- profits exported
- foreign managers may take best jobs
- exploitation of local workers

5 State, briefly explain and give an example of each of the **four** types of regional trading blocs. **(12 = 4 × 3)**

- Free trade areas: agree to trade with no trade barriers, e.g. NAFTA (USA, Canada, Mexico).
- Customs unions: all countries set the same level of restrictions on trade between them, e.g. Mercosur (Argentina, Brazil, Paraguay, Paraguay, Venzuela).
- Common markets: free trade of goods, capital, free movement of labour, plus have common product standards, e.g. EU.
- Economic and monetary unions (EMU): almost like the same country, with same currency and central control of national borrowing levels, but retaining national autonomy, e.g. eurozone.

6 State **two** benefits and **two** disadvantages of a common market. **(4)**

Benefits:

- common regulations prevent unfair competition from low-quality imports
- free passage of workers to where they are needed
- consumers access the best deals with more choice

Disadvantages:

- costs of bureaucracy
- loss of trained labour to most economically attractive member states
- inefficient businesses may not survive in high competition
- increased competition can drive prices down to unprofitable levels