

# **CHAPTER 37 GLOBALISATION, FREE TRADE AND PROTECTION**



**Macroeconomics - year11**

# Agenda

Drive growth of monthly sales volume of purchases

- Multiple choice
- Essay

Be the most desirable brand



# RECAP

1. **Globalisation:** The rise in interdependence among countries due to trade, foreign direct investment, and the movement of labor and capital.
2. **Factors Contributing to Globalisation:** Decrease in transportation and communication costs, and reduction in trade barriers.

# RECAP

3. **Multinational Corporation (MNC):** A company that operates and produces goods or services in more than one countries, like McDonald's and Starbucks.

- **Advantages of Multinational Corporation (MNC):**

- Job creation
- Increased output
- Tax revenue generation
- Technological innovation

- **Disadvantages of Multinational Corporation (MNC):**

- Worker exploitation
- Market dominance
- Tax avoidance
- Profit transferred back to home country
- Negative environmental impact.

# RECAP

4. **Free Trade:** International trade without trade barriers such as tariffs, quotas, and embargoes.

- **Advantages of Free Trade:**

- Expanded consumer choice
- Increased firm revenue
- Access to economies of scale
- Technological innovation
- Enhanced resource efficiency.

- **Disadvantages of Free Trade:**

- Problems from over reliance on exports/imports
- Heightened unemployment from foreign competition
- Structural unemployment due to reduced export demand
- Resource depletion

# RECAP

5. **Protectionism:** Government policies aimed at protecting domestic industries from foreign competition, including tariffs, quotas and subsidies.

- **Advantages of Protectionism:**

- Supporting infant industries
- Preventing dumping
- Reducing trade deficits
- Protecting domestic employment
- Safeguarding strategic industries

- **Disadvantages of Protectionism:**

- Higher consumer prices from tariff
- Dependence on government's help
- Retaliation leading to trade wars

# Part1-Multiple choice

1. Which of the following is NOT a characteristic of globalisation?

- A) Increased international trade
- B) Greater movement of labor and capital between countries
- C) Higher barriers to trade and investment
- D) Rapid technological advancements connecting economies

# Part1-Multiple choice

1. Which of the following is NOT a characteristic of globalisation?

- A) Increased international trade
- B) Greater movement of labor and capital between countries
- C) Higher barriers to trade and investment
- D) Rapid technological advancements connecting economies

Answer: C) Higher barriers to trade and investment

# Part1-Multiple choice

**2. Which of the following is a key driver of globalisation?**

- A) Strict immigration policies
- B) Advancements in communication and transportation technology
- C) Increased protectionist measures
- D) Reduction in international investment

# Part1-Multiple choice

**2. Which of the following is a key driver of globalisation?**

- A) Strict immigration policies
- B) Advancements in communication and transportation technology
- C) Increased protectionist measures
- D) Reduction in international investment

Answer: B) Advancements in communication and transportation technology

# Part1-Multiple choice

**3. A government implements an export subsidy for domestic manufacturers.**

**What is the most likely outcome?**

- A) Domestic firms will find it harder to compete internationally
- B) Domestic firms will be able to sell their goods at lower prices in foreign markets
- C) Domestic firms will reduce importing goods
- D) The country's trade deficit will automatically disappear

# Part1-Multiple choice

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Answer: B) Domestic firms will be able to sell their goods at lower prices in foreign markets

# Part1-Multiple choice

**4. A multinational corporation (MNC) is more likely to invest in a developing country if:**

- A) The country has strict labour laws and high corporate taxes
- B) The country has a well-educated workforce and stable political environment
- C) The government imposes high import tariffs to protect domestic firms
- D) There are weak property rights and inefficient infrastructure

# Part1-Multiple choice

**4. A multinational corporation (MNC) is more likely to invest in a developing country if:**

- A) The country has strict labour laws and high corporate taxes
- B) The country has a well-educated workforce and stable political environment
- C) The government imposes high import tariffs to protect domestic firms
- D) There are weak property rights and inefficient infrastructure

Answer: B

# Part1-Multiple choice

**5. Why might a country impose a voluntary export restraint (VER) instead of a tariff?**

- A) To encourage foreign countries to impose tariffs on its exports
- B) To avoid retaliation from trading partners
- C) To increase domestic competition and lower prices
- D) To reduce dependency on foreign technology

# Part1-Multiple choice

**5. Why might a country impose a voluntary export restraint (VER) instead of a tariff?**

- A) To encourage foreign countries to impose tariffs on its exports
- B) To avoid retaliation from trading partners
- C) To increase domestic competition and lower prices
- D) To reduce dependency on foreign technology

Answer: B

# Part2-Essay

1 (a) What is meant by tariffs? [2]

**2 (b) Identify and explain two reasons why a government might impose a tariff on imported rice [4]**

3 (d) Discuss whether or not MNCs increase economic growth to their host countries. [8]

**4 (d) Evaluate whether protectionist policies effectively safeguard employment. [8]**

# Part2-Essay

**2 (b) Identify and explain two reasons why a government might impose a tariff on imported rice [4]**

# Part2-Essay

**4 (d) Evaluate whether protectionist policies effectively safeguard employment. [8]**

# Part2-Essay

**4 (d) Evaluate whether protectionist policies effectively safeguard employment. [8]**

# The End

