

Causes and Effects of Globalisation — Worksheet

Characteristics of globalisation · causes of globalisation · FDI by TNCs · possible benefits · possible costs

Name: _____

Class: _____

Date: _____

DEFINE globalisation · **EXPLAIN** why a lower cost of moving changes migration · **CALCULATE** the size of trade compared with GDP, and a percentage fall in tax · **CLASSIFY** a change by the cost of globalisation it shows · **ANALYSE** the reasons why transnational companies invest abroad · **EXAMINE** the costs of globalisation for workers · **DISCUSS** how foreign direct investment affects the country that receives it · **EVALUATE** how far globalisation raises living standards in developing countries

Sitting 1 — Topic practice

30 marks

MULTIPLE CHOICE Task 1 — Six questions on globalisation

6 marks

Choose one answer for each question.

1. Trade as a proportion of GDP is a better measure of globalisation than the total value of trade because:
- A it is easier to calculate from published figures
 - B it can rise only if trade grows faster than output
 - C it leaves out imports, which are not part of output
 - D it rises whenever a country's output grows

Answer:

2. Which of the following counts as foreign direct investment?
- A A tea company buying 80% of a tea farm in another country
 - B A bank lending to a firm in another country
 - C A charity buying 3% of the shares of a foreign airline
 - D A firm exporting machinery to a foreign customer

Answer:

3. Which political change brought very large closed economies into world trade and investment?
- A the breakdown of the Soviet system and the opening up of China
 - B the spread of elected government across Asia, Africa and Latin America
 - C the founding of the World Trade Organization
 - D the ending of colonial rule in the twentieth century

Answer:

4. A foreign firm runs a plant in a country. Which of these payments leaves that country?
- A Wages paid to local workers
 - B Orders placed with local suppliers
 - C Profit paid to the owners abroad
 - D Tax paid on the profit earned locally

Answer:

5. A country's GDP per head doubles over twenty years. What does this show?

- A Every household is twice as well off
- B Income inequality has fallen
- C The average doubled, but it does not show who gained
- D The poorest households gained as much as the richest

Answer:

6. Globalisation is said to increase income inequality within a country because:

- A it lowers every wage in the economy
- B incomes rise where exports grow and fall where imports compete
- C it raises the incomes of poorer countries faster than richer ones
- D it reduces the total income available to be shared

Answer:

DEFINE Task 2 — The meaning of globalisation

2 marks

Define the term globalisation.

globalisation

Name one characteristic of globalisation. (practice, not marked)

EXPLAIN Task 3 — Farm workers who move from Tamba to Rimo

4 marks

Farm workers in Tamba earn \$300 a month. The same farm work in Rimo pays \$900 a month. Moving to Rimo has costs: the journey, a visa to enter Rimo and time away from family. In 2026, a new bus service halves the cost of the journey from Tamba to Rimo. Wages in both countries do not change.

Explain why the new bus service is likely to increase migration from Tamba to Rimo.

CLASSIFY Task 4 — Costs of globalisation in Ronda**8 marks**

Ronda is a developing country that has opened to trade and to foreign investment. Several transnational companies (TNCs) have plants there. Each change below happens on its own.

Classify each change in Ronda by the cost of globalisation it shows.

Key: Displaced workers · Exploitation of workers · Environmental impact of trade · Transfer pricing

#	What happens in Ronda	Cost of globalisation
1	Cheaper imported shoes arrive, and Ronda's largest shoe factory closes. Its 900 workers lose their jobs.	
2	A TNC's plant in Ronda pays \$50m a year to another part of the same TNC, in a country with a low tax on profit, to use the TNC's brand.	
3	More container ships now bring goods to Ronda's main port. Smoke from the ships harms the health of families who live nearby.	
4	In a mountain town, a foreign-owned mine is the only employer. Its workers accept 12-hour shifts in unsafe tunnels.	
5	A car maker moves its assembly from Ronda to a country where wages are lower. Its 2,000 workers in Ronda lose their jobs.	
6	Fresh fruit is now flown to Ronda from other continents. The planes burn fuel, and their emissions add to climate change.	
7	A TNC's plant in Ronda buys parts from the TNC's own factory abroad. The TNC sets a high price for the parts, so the plant reports little profit in Ronda.	
8	In a town with one clothing factory and no other paid work, workers sew for 70 hours a week for low pay. Ronda's law on working hours is not enforced there.	

CALCULATE Task 5 — Profit tax from a plant in Holva

4 marks

Korat, a TNC, has a plant in Holva. The plant makes \$90m of profit a year, and Holva taxes profit at 30%. From 2026, another part of Korat, based in a country with a 5% tax on profit, charges the plant a fee of \$35m a year for using Korat's brand. Nothing else about the plant changes.

Calculate the percentage fall in the tax Holva collects each year on the plant's profit, to one decimal place.

Percentage fall in the profit tax Holva collects from the plant, to one decimal place

Workings

Answer: %

Show your working for each step.

ANALYSE Task 6 — Washing machines in Lirana

6 marks

Ferro is the only maker of washing machines in Lirana, a small country. It sells 50,000 machines a year, all of them in Lirana. Its factory costs \$10m a year to run, and materials and labour cost \$150 for each machine. In 2026, Lirana joins a trading bloc with four larger neighbours. The members remove the tariffs on goods they sell to each other.

Analyse the likely effect of joining the trading bloc on the price of washing machines in Lirana.

Knowledge — name and explain one economic idea (2)

Application — use the facts about Ferro and Lirana (2)

Analysis — your chain of reasoning (2)

Source: Kesoro

- 1
- Kesoro is a developing country. Until 2005, it charged high tariffs on most imports. Foreign firms were not allowed to own factories there.
- 2
- In 2008, Kesoro joined a trading bloc with five of its neighbours. The members removed the tariffs on goods they sell to each other. Each member kept its own tariffs on goods from outside the bloc. Kesoro also cut its own tariffs on goods from the rest of the world.
- 3
- Since 2008, transnational companies (TNCs) from outside the bloc have built plants in Kesoro. The plants make clothing and electronic parts, mostly for export. Wages in Kesoro are about a fifth of those in the TNCs' home countries. The plants now employ 150,000 workers. They buy about a third of their materials from firms in Kesoro and import the rest. Most of the plants' profit is sent to their owners abroad. Figure 1 shows Kesoro's trade, its GDP and its inflows of foreign direct investment (FDI).
- 4
- Not every worker in Kesoro has gained. When cheaper imports of shoes and furniture arrived, many of Kesoro's own shoe and furniture firms closed. About 40,000 of their workers lost their jobs. Most of these firms were in the north of Kesoro. The new plants are in the south, near the main port. Kesoro's laws on working hours are weak. In some port towns, a TNC's plant is the only large employer. In 2024, the government offered new TNC plants ten years without profit tax.

Figure 1: Kesoro, trade, GDP and FDI inflows, 2005 to 2025

Year	Exports (\$bn)	Imports (\$bn)	GDP (\$bn)	FDI inflows in the year (\$bn)
2005	6.0	9.0	50.0	0.2
2015	24.0	26.0	104.0	2.5
2025	52.0	61.0	150.0	5.5

CALCULATE

Task 7 — Trade and GDP in 2025

2 marks

Using Figure 1, calculate Kesoro's trade in 2025 as a percentage of GDP, to one decimal place.

Workings

Answer: %

EXPLAIN Task 8 — The growth of trade in Kesoro**4 marks**

With reference to the source, explain one factor that has increased Kesoro's trade since 2005.

ANALYSE Task 9 — Reasons for FDI in Kesoro**6 marks**

With reference to the source, analyse two likely reasons why TNCs have built plants in Kesoro.

Knowledge — name two reasons for FDI, and explain each one (2)

Application — one fact from the source for each reason (2)

Analysis — one chain for each reason (2)

EXAMINE Task 10 — Costs of globalisation for workers in Kesoro**8 marks**

With reference to the source, examine two likely costs of globalisation for workers in Kesoro.

Knowledge — name two costs for workers, and say what each one means (2)

Application — one fact from the source for each cost (2)

Analysis — one chain for each cost (2)

Evaluation — for each cost, say what its size depends on (2)

DISCUSS Task 11 — Foreign direct investment in Kesoro

14 marks

With reference to the source and your own knowledge, discuss the likely impact of FDI by TNCs on Kesoro's economy.

Knowledge — one economic idea for a benefit of the FDI and one for a cost (2)

Application — one fact from the source for the benefit and one for the cost (2)

Analysis — two chains, one for the benefit and one for the cost (4)

Evaluation — weigh the two chains, say what the impact depends on, and judge the overall impact (6)

Many developing countries have opened their economies to trade and to foreign investment. Some economists say that this has made most of their people better off.

Evaluate the extent to which globalisation raises living standards in developing countries.

Knowledge — say what living standards are and how they are measured, and name one way globalisation raises them and one way it may not (3)

Application — use real countries or real examples (3)

Analysis — one chain for how globalisation raises living standards and one for how it may not (6)

Evaluation — weigh the two chains, say what the answer depends on, and judge (8)

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EVALUATE

Task 13 — Your judgement in one sentence *Not marked. One sentence: your judgement on Task 12.*

Write the one sentence that answers Task 12's question.



This sheet and its answers online: revvylearn.com/w/e4-causes-effects-globalisation

Answers and mark scheme: [revvylearn.com/w/e4-causes-effects-globalisation/answers](https://www.revvylearn.com/w/e4-causes-effects-globalisation/answers)

Marks and levels follow the IAL Economics paper; mark your work against the answers page - this is not Edexcel's marking.

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