









Globalisation



Knowledge and understanding-definitions

Globalisation	Is the process of how business activity around the world has become increasingly interconnected
International branding	Is creating an image or values that are communicated in countries around the world
Capital	Is the money or assets such as machines, buildings, vehicles
Free trade	Is the absence of restrictions on trade between countries
Trade	Is the import and export of goods and services
Tariff	Is a tax on a good or service that is imported
Quota	Is a limit in terms of weight or value on the amount of goods that can be imported
Regulations	Are rules about the goods and services that can be sold in a country
Multinational companies	Are businesses that operate in different countries around the world
Unit cost	Is the cost per unit produced. The greater the productivity of workers, the lower the unit cost of production
Productivity	Is a measure of the output of each worker on average

Analysis	Advantages	Disadvantages
<p>To a business of being a multinational company</p> 	<ul style="list-style-type: none"> • Increasing sales • Spreading risk - if one market loses sales the company may be able to compensate by selling extra products in a country that is experiencing a boom • Lower costs - productions costs may be reduced • Tax avoidance 	<ul style="list-style-type: none"> • May experience diseconomies of scale - as they become bigger they may become less efficient and more difficult to control 
<p>To a country of hosting a multinational company</p> 	<ul style="list-style-type: none"> • Creating demand for host country businesses - they may employ local people and increase incomes. • Taxes and public services - help provide improved healthcare/ education services • Lower prices 	<ul style="list-style-type: none"> • Business closures - local business may not be able to compete in terms of price and quality • Outflows of money - they move profits out of the host country to where they have their headquarters

Explain how each factor has encouraged globalisation	
Transport 	<p>Transport costs have reduced as ships and planes have become bigger. The development of containers has reduced costs.</p>
Telecommunications and the internet 	<p>Communication has become faster and cheaper. Firms can research materials from suppliers all over the world.</p>
Free trade arrangements 	<p>When there are no barriers to trade. Countries can easily buy and sell products to each other.</p>

Exam questions

Coca operate in many countries around the world. This helps them to manage their finances as in some countries they will benefit from cheaper costs due to the differing regulations in each country. They sell their famous drink in hundreds of countries and therefore reach out to millions of potential customers. Their iconic logo is recognised worldwide which helps them to establish their strong brand image. Due to them operating in so many countries, it can often be difficult for them to communicate with each other due to the different languages spoken and the different timezones.

Knowledge

1. What is meant by the term 'Globalisation'?

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2. What is meant by the term 'free trade'?

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3. What is meant by a 'multinational company'?

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Application

4. State three examples from the case study of how Coca benefit from being a multinational company (3 marks)

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Analysis

1. Analyse one benefit to Coca of being multinational company (3 marks)

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2. Analyse one drawback to Coca of being a multinational company (3 marks)

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