Skoolumy

CAMBRIDGE A LEVEL ECONOMICS TOPICAL MULTIPLE CHOICE QUESTIONS

GLOBALISATION, MULTINATIONALS, TRADE & FOREIGN AID

PAST QUESTIONS

1 What is not a threat to globalisation?

A rising fear of losing jobs to immigrant workers

B rising political tensions among major economies of the world

C stronger trade unions in industries producing substitutes of imports

D withdrawal of government support for inefficient industries

2 What is the most likely consequence of an increase in the number of multinational companies?

A a decrease in advancements in technology

B a decrease in foreign direct investment

C an increase in exports

D an increase in unemployment

3 A multinational company (MNC) buys a manufacturing firm in a developing country that produces goods for the developing country's domestic consumers. The MNC then exports machinery and raw materials that it needs to the developing country.

What is the most likely consequence of this foreign direct investment (FDI) by the MNC on the balance of payments of the developing country?

	current account	financial account
A	improves	improves
B	improves	worsens
C	worsens	improves
D	worsens	worsens

4 A multinational company (MNC) shifts its manufacturing capacity to a developing country.

What is likely to be the short-run effect of this in the developing country?

	employment increases	investment increases	short-run balance of payments current account improves
A	no	no	yes
B	no	yes	no
C	yes	no	yes
D	yes	yes	no

5 Some conditions for providing foreign aid to low-income countries can be restrictive.

Which kind of aid fits this description?

A food aid in the event of natural catastrophes such as severe drought

B grants that are tied to purchasing donor country goods

C loans that are repaid over a long period at a low rate of interest

D technical assistance using highly skilled worker transfers to provide support

6 Globalisation means that goods and services, capital and labour are traded on a worldwide basis.

Which combination illustrates that each trade partner can benefit when a low-income country trades with a high-income country?

	the low-income country	the high-income country
A	contracts are not always fulfilled due to corrupt practices	agrees to increase investment in the infrastructure of low-income countries
B	experiences liquidity problems that restrict investment	transfers short-term government loans repayable at high interest rates
C	multinational companies repatriate profits from mining of rare minerals for export	receives supplies at high prices from multinationals to meet excess demands for rare metals
D	supplies seasonal labour to overcome shortages for picking fruit crops	repatriates wages to families of seasonal workers

7 What might **decrease** if a closed economy with a government sector decides to allow international trade?

A components of aggregate expenditure

B number of injections into the circular flow of income

C number of leakages from the circular flow of income

D value of the economy's multiplier

8 A multinational firm seeks to minimise costs and maximise profits.

What would least assist the multinational to achieve these objectives?

A achieving a near monopoly status to control outputs and prices

B locating the firm's home base in a country with a low level of corporation tax

C operating as a member of a cartel with production quotas

D owning subsidiary firms in different countries to achieve economies of scale

9 Low income countries that approached the IMF for loan assistance were usually required to introduce structural adjustment programmes (SAPs) which involve policies to promote a free-market economy.

Which action would have been included in a SAP?

A deregulation of agricultural markets

B extension of food subsidies

C nationalisation of water supply

D restrictions and regulations on the flow of international capital

10 Money given by the US government to certain African countries to fight AIDS/HIV requires their governments to purchase expensive drugs from the US rather than cheaper products from South Africa, India or Brazil.

What is this an example of?

A bilateral aid

B debt relief

C multilateral aid

D tied aid

MARK SCHEME

1 D

2 C

3 C

4 D

5 B

6 D

7 D

8 C

9 A

10 D