

## 6.2.1 What are the causes and consequences of uneven development at the global scale? – Part 1

### How has global trade led to uneven patterns of development?

	HICs/ NICs	LICs	Consequences
<b>Imports</b>	Primary goods	Manufactured goods	<ul style="list-style-type: none"> <li>HICs/NICs earn a <b>high income</b> from exports as manufactured goods are worth a lot of money.</li> <li>LICs earn a <b>low income</b> from exports as primary goods do not sell for much money. This means they remain poor. As a result they borrow money and their debts mount up.</li> <li>HICs/NICs have more income and as a result can afford <b>better healthcare</b> for their populations, resulting in <b>longer life expectancy</b>.</li> </ul>
<b>Exports</b>	<b>Manufactured goods</b> (worth lots of money)	<b>Primary goods</b> (worth very little and usually include only a few exports e.g. coffee and bananas).	
<b>Tariffs, Subsidies, Quotas and Trade Blocks</b>	HICs set <b>prices</b> of primary goods and set tariffs and quotas on imported goods. They give subsidies to farmers within their countries.	LICs <b>depend on trade</b> but do not have any control of it.	<ul style="list-style-type: none"> <li>By setting tariffs and quotas, HICs/NICs protect their own farmers and manufactured goods by making imported goods more costly than goods produced in their own countries/trading blocks.</li> <li>As LICs are so dependent on one or two products for their income, a small <b>fluctuation in price</b> can have huge consequences.</li> <li>LICs find it harder to compete against large trading blocks, and as a result the trade gap between HICs and LICs increases.</li> <li>HICs/NICs are more developed and can attract skilled workers from LICs. They <b>migrate</b> to have <b>higher wages, standards of living and quality of life</b>.</li> </ul>

### Patterns of development in NICs and LICs

LIC (e.g. Malawi)	NIC (e.g. India)
Agriculture (employs 84% of workforce)	A <b>young, skilled workforce</b> with <b>low wage costs</b> compared to countries like China and Mexico.
<b>Primary goods</b> (tea) are grown on estates primarily owned by MNCs. Employment is <b>seasonal</b> . A small number of estates are owned by local farmers.	MNCs have invested heavily in India, creating jobs in the <b>manufacturing</b> and <b>service</b> sectors. As a result, they export manufactured goods which are worth more money than primary goods.
A high percentage (90%+) of primary goods are exported to the UK and other HICs.	A stable government.
Primary goods are processed in factories in HICs. HICs pay a low price for unmanufactured primary goods.	<b>English</b> is the second language.
<b>Tariffs and Quotas</b> set by HICs and trading blocks result in LICs making <b>very little profit</b> on their primary goods.	A <b>developed infrastructure</b> (e.g. energy and transport) is vital for any development to take place.
<b>Natural disasters</b> (e.g. drought) can have a devastating impact on LICs. As LICs <b>depend heavily</b> on 1 or 2 crops, if one crop is destroyed, they have no income.	A <b>large population</b> , which results in more prospective customers. A large, attractive market.
Imported goods (e.g. fuels) take up a large percentage of the country's import costs.	The International Monetary Fund encourages free trade between countries. This results in less quotas and tariffs.
The economy relies heavily on the World Bank and International Monetary Fund.	

### Key terms

<b>Enclave Tourism</b>	All tourist activities are held in one geographical area.
<b>Exports</b>	Goods that are sold to other countries.
<b>Globalisation</b>	The free flow of goods, people, ideas and money, causing the world to become increasingly inter-connected.
<b>Imports</b>	Goods that are purchased from other countries.
<b>Infrastructure</b>	Buildings and services that are essential, e.g. airports, roads and water supply.
<b>Interdependence</b>	When countries are connected to each other economically, culturally, politically and socially and are all dependent on one another.
<b>Multi-National Companies (MNCs)</b>	Large companies that have branches and factories in many other countries, e.g. Nike.
<b>Quotas</b>	The limited sum of goods a country can import and export in a year.
<b>Subsidies</b>	Grants of money paid by governments to certain industries. These can be paid in the form of reduced rates as well as money.
<b>Tariffs</b>	Taxes that must be paid on some imports.
<b>Trade</b>	The buying and selling of goods between countries.
<b>Trade Blocks</b>	A group of countries that have an agreement to trade freely with each other, e.g. the European Union.

## 6.2.1 What are the causes and consequences of uneven development at the global scale? – Part 1

For one **HIC** and one **LIC** that you have studied, explain why global trade has led to uneven patterns of development.

NIC	LIC

What do you understand from the following key terms?

Enclave Tourism	
Exports	
Globalisation	
Imports	
Infrastructure	
Interdependence	
Multi-National Companies (MNCs)	
Quotas	

## 6.2.1 What are the causes and consequences of uneven development at the global scale? – Part 1

### Why do MNCs base themselves all over the world?

- To be closer to a larger number of **customers** and **different markets**.
  - Access to **cheaper labour** and **raw materials**.
  - To **avoid tariffs** by basing themselves within trade blocks.
  - In some countries there are fewer **health and safety** restrictions.
- This allows the MNCs to make as much **profit** as possible.

### What are the advantages and disadvantages of MNCs?

Advantages	Disadvantages
<i>They bring work to the area and <b>employ locals</b> who receive an <b>income</b>. Training also boosts the <b>locals' skills</b>.</i>	<i>The workers usually earn a <b>low wage</b> and have <b>poor working conditions</b>. Very few locally skilled people are employed. <b>Managers</b> and more skilled workers usually come from the country in which the <b>headquarters</b> are situated.</i>
<i>As local people's wealth increases, they have more money to spend in <b>local shops</b> and on services. This boosts the local economy. This can also help <b>attract</b> other MNCs to the area.</i>	<i>Important <b>decisions</b> are made in the MNC's headquarters, and the MNC could leave at any time, leaving locals <b>unemployed</b>.</i>
<i>The MNC will pay <b>taxes</b> to the country that they are situated in. This extra money can be spent on healthcare and education.</i>	<i>The MNC's '<b>Western Image</b>' could have a negative impact on local <b>culture</b> and way of life. They can also use a lot of local <b>resources</b> which are already scarce (e.g. water), leaving locals with even less.</i>
<i>The company brings <b>modern machinery</b> and <b>technology</b> to the country.</i>	<i>Any <b>profits</b> are sent <b>overseas</b> – usually to HICs – further increasing their GDP. This results in HICs becoming more developed, and widening the development gap further.</i>
<i>The MNC <b>invests</b> in the area and brings in foreign money. This increases the country's GDP, which in turn helps the country develop further.</i>	<i>MNCs can have a negative impact on <b>traditional industries</b> within the country they are based. Farmers will work in the new factories instead of agriculture, for example. As a result, traditional industries are lost.</i>

### The effects of Globalisation in the UK (e.g. TATA steel)

- An increase in **employment** – TATA employs 50,000 people in 38 companies in the UK.
- By buying factories in the European Trading Block, they could avoid quotas and **paying tariffs**.
- Due to lower energy and labour costs, China began to sell steel cheaper than the UK.
- Even though the EU imposed tariffs on Chinese Steel, the UK steel industry could not **compete** with the lower cost of Chinese steel.
- This resulted in TATA losing a lot of money in **lost profits**. As a consequence, many **jobs were lost** in the UK Steel Industry.
- Many indirect jobs were also lost, resulting in a **Negative Multiplier Effect** within some regions of the UK.

### The concept of enclave tourism

- Travel companies often sell '**all inclusive**' holidays.
- Tourists pay **one price** for transport, accommodation, food, drinks and entertainment.
- **Cruise ships** offer a similar type of holiday.
- Tourists are reluctant to leave the hotels/cruise ship in order to buy food and drink as they feel they have 'paid for everything' already.
- The consequences of this are that the **economy** of the local destinations benefit very little from tourism as most of the money is kept by MNCs like TUI or Royal Caribbean.

### Effects of Tourism on Development in NICs/LICs

	Advantages	Disadvantages
<b>Patterns of Development</b>	<ul style="list-style-type: none"> <li>• Improved infrastructure can attract new MNCs to the country, which increases the value of the NICs/LICs <b>exports</b>, resulting in greater <b>GDP</b>. A consequence of this is more money to spend on <b>healthcare</b> and <b>education</b>, which helps the NIC/LIC develop further.</li> </ul>	<ul style="list-style-type: none"> <li>• Tourism can restrict development as many hotels are owned by MNCs. Most of the <b>income</b> that is created as a result of tourism will go back to the foreign countries where the MNC's headquarters are based. This makes HICs wealthier, which in turn increases the development gap.</li> </ul>
<b>Economy</b>	<ul style="list-style-type: none"> <li>• Hotels are built. This provides <b>employment</b> opportunities for locals in the <b>service (tertiary) sector</b>. Locals pay more <b>taxes</b>, and as a result the local area improves.</li> <li>• Tourists will buy <b>souvenirs</b>, which will create <b>employment</b> opportunities for the <b>informal economy</b> as well as some <b>manufacturing jobs</b>. Farmers will also see a boost as there is greater demand for fresh produce.</li> <li>• This will create <b>income</b> for locals.</li> </ul>	<ul style="list-style-type: none"> <li>• Jobs are <b>seasonal</b>. Many locals are unemployed for several months of the year.</li> <li>• Employment structures change. Young people will work in hotels and the service sector rather than in <b>traditional industries</b> like fishing and farming.</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Environments are protected, e.g. the creation of <b>National Parks</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sensitive ecosystems</b> such as sand dunes and coral reefs could be damaged or even destroyed.</li> </ul>
<b>Culture</b>	<ul style="list-style-type: none"> <li>• Traditions are protected as tourists enjoy visiting historical sites and experiencing a foreign culture.</li> </ul>	<ul style="list-style-type: none"> <li>• Local <b>dialects</b>, languages and cultures are lost.</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>• <b>Services</b> such as <b>Wi-Fi</b> are made available for tourists. This allows locals to potentially benefit from a service they would not have access to without the tourism industry.</li> <li>• <b>Roads</b> are improved to provide access to locals.</li> <li>• <b>Airports</b> are improved which makes imports/exports easier. This boosts trade.</li> </ul>	<ul style="list-style-type: none"> <li>• New roads and airports can destroy sensitive landscapes and increase <b>pollution</b>.</li> </ul>

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List 5 reasons why MNCs locate in different countries around the World.

1.

2.

3.

4.

5.

For an MNC situated in the UK, explain 3 impacts it has had on development.

MNC/Country

1.

2.

3.

For an MNC that you have studied in a NIC or LIC, describe and explain the specific advantages and disadvantages of the MNC locating there.

MNC/Country

Advantages	Disadvantages

Complete the table to show the effects of tourism on development in a NICs/LIC that you have studied. Remember to include specific points.

	Advantages	Disadvantages
<b>Patterns of Development</b>		
<b>Economy</b>		
<b>Environment</b>		
<b>Culture</b>		
<b>Infrastructure</b>		