

Table 7.7 Benefits and costs of free trade

Benefits	Costs
Lower prices for consumers	The injustice of free trade not giving sufficient 'protection' to emerging industries in developing economies so they cannot compete with developed countries in the free market
Greater choice	
Access to larger, wealthy markets for TNCs	More developed economies are still protected by tariffs on agricultural imports
Greater economies of scale through increased specialisation	The unjust exploitation of workers and poor working conditions
Greater foreign competition may weaken domestic monopolies (for example, UK supermarkets)	Diseconomies of scale as a result of difficulties co-ordinating subsidiary companies
Competition leads to greater innovation	
Access to cheaper raw materials for TNCs	

Risks of economic interdependence

One of the most significant disadvantages of globalisation is the increased risk associated with the interdependence of economies. A negative economic **shock** in one country can quickly spread to other countries. This is particularly the case if it affects a country's banking system. For example, the financial crisis in East Asia in the 1990s was triggered by the collapse of a few Japanese banks. Similarly the 2008–09 global financial crisis was initiated by the collapse of lending in the US sub-prime housing market.

Social and cultural impacts

- Globalisation has allowed for greater sharing of ideas, lifestyles and traditions. It means that people

have greater access to foreign culture such as film, music, food, clothing and other goods and services that were not previously available domestically.

- The over-standardisation of many goods and services has led to increased cultural homogeneity. This has damaged individual traditions and means less diversity. Access to foreign (mainly Western) cultures is causing the distinction between countries to fade, diminishing the world with one 'corporate' identity.
- In a bid to offset criticism of the standardisation of products on a global scale, a strategy called **glocalisation** has been adopted by some TNCs. This involves thinking globally but acting locally to reduce threats to cultural dilution. Products and services are likely to be more successful when they are customised for the local market. McDonald's is a commonly cited example of this strategy as the restaurant's menu is often customised to suit local tastes (Figure 7.36, page 318).

Key term



Glocalisation – A term used to describe products or services that are distributed globally but which are fashioned to appeal to the consumers in a local market.

- Increased awareness of global news and events – which can be positive by informing people of environmental issues such as climate change, but can be used negatively, for example, for propaganda purposes by terrorist organisations.

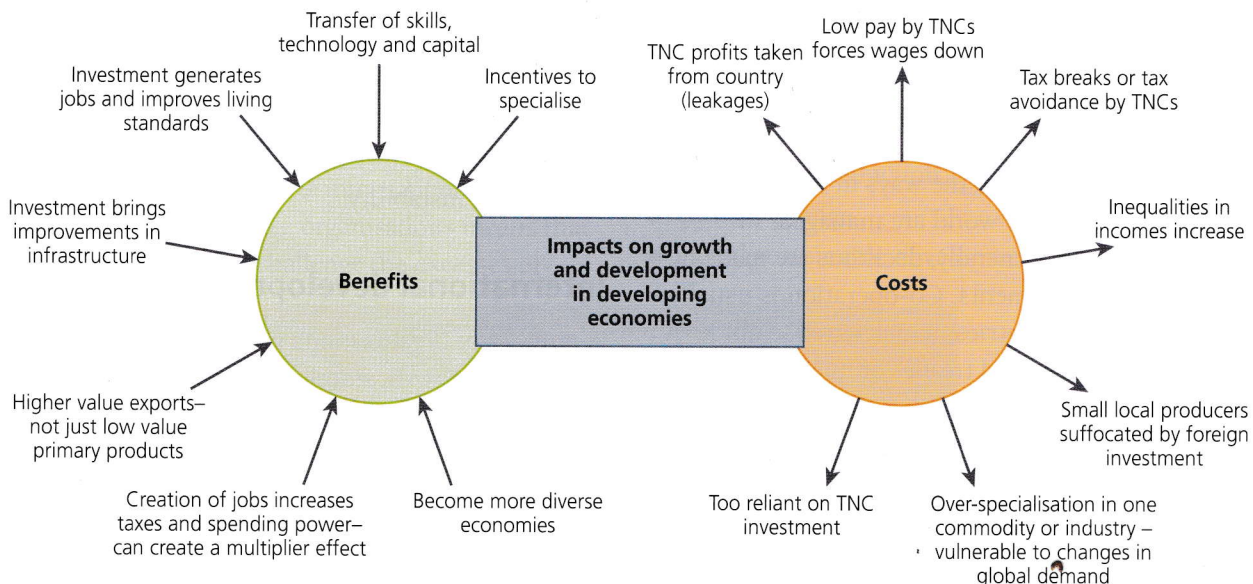


Figure 7.35 Benefits and costs of globalisation affecting growth and development in developing economies