

Topic: Globalisation

Globalisation and Ireland 2027

It's June. You are sitting in the exam hall in Castletroy College, the sun is splitting the stones outside, and you open your Leaving Cert Economics paper. There it is: *Evaluate the economic risks of Ireland relying on foreign multinational corporations.*

You should not be surprised, be prepared for this question!!! Economists have been sweating over this exact scenario for years. If you want to understand our economy right now, and specifically what is happening right on your doorstep in Castletroy and the wider Limerick area, think of it like a massive group project where a handful of people do all the heavy lifting. It looks great on paper, but if they suddenly decide to leave the WhatsApp group, we are completely wrecked.

Let us break down the story of how we got here, why we are addicted to Multinational Corporations (MNCs), and why the bubble might be under serious pressure.

The Ultimate Glow Up (Enter the IDA)

Decades ago, Ireland was not exactly the wealthy tech and pharma hub it is today. To fix that, state agencies like IDA Ireland became the ultimate economic matchmakers. Their entire job was to attract Foreign Direct Investment (FDI). This means convincing massive global companies to build factories, data centres, and regional headquarters on our little island instead of somewhere else.

Up the road from school is the National Technology Park in Plassey. We rolled out the red carpet: a famously competitive corporate tax rate, literally being next door to the University of Limerick for a highly educated workforce, and VIP access to the EU Single Market.

This created the Cluster Effect. Why do giants like Johnson & Johnson, Northern Trust, and Edwards Lifesciences set up in Castletroy? Because when you have a cluster of medical, financial, and tech giants in one area, highly skilled workers flock there, making it a no-brainer for the next company to set up shop. Success literally breeds success.

The High Life of MNCs

Right now, the MidWest is living the high life off globalisation. The MidWest region has seen some of the sharpest regional employment growth in the country. Limerick now has one of the highest concentrations of workers in the state. Furthermore, the CSO notes that economic output and productivity in regions like ours are largely influenced by the presence of foreign owned multinational enterprises.

MNCs provide about 20% of all direct employment in Ireland, but the real magic is the Spillover Effect. Think about the massive Eli Lilly site being built over in Raheen, or Regeneron. It takes massive local construction firms, engineering contractors, local security, and nearby cafes in Castletroy and Dooradoyle to keep those sites running. One MNC creates an entire ecosystem of wealth for indigenous Irish businesses. Plus, the billions these companies pay in corporation tax effectively fund our schools, roads, and hospitals nationwide.

Our Fatal Flaw

So what is the problem? The problem is vulnerability. We are dangerously over-reliant on a tiny handful of American companies.

The Irish Fiscal Advisory Council recently dropped a terrifying stat. Just three US firms pay almost 40% of our entire corporate tax intake. Read that again. Three companies are propping up nearly half of our corporate tax revenue!!!

If the US government introduces massive tax cuts to lure these companies back home, or imposes strict tariffs in a trade war that forces them to repatriate (relocate their operations and profits back to the US), the Irish economy faces a sudden shock. We are talking instant mass unemployment, a devastating collapse in government tax revenue, and a massive black hole in the budget.

And then there is the Skills Shortage. Big Tech and Big Pharma pay so well that they cause a domestic brain drain. If you are a brilliant engineering graduate from UL, are you going to work for a small Irish start up, or take the massive paycheck from Analog Devices? Indigenous Irish businesses are being starved of talent because they simply cannot compete with MNC wages.

Are we losing our appeal?

To make matters more stressful, the shine is starting to wear off the Irish FDI pitch. When you read newspaper articles about our booming economy, you also see the cracks.

We have a crippling housing crisis. MNCs are struggling to expand here because their imported workers literally cannot find a place to rent in Castletroy, the city centre, or the surrounding counties. Our electricity and water grids are maxing out. We have seen major global tech companies shelve plans for Irish data centres simply because we could not guarantee the infrastructure or the power grid capacity to run them, forcing them to locate at Nordic countries instead.

We also see massive capital outflows. Every quarter, tens of billions of euros in profits generated by these factories in Limerick and beyond are sent straight back to foreign shareholders. Our GDP makes us look insanely rich, but a lot of that money is just passing through on a layover.

The Takeaway for the LC Exam

Globalisation transformed Limerick from a region suffering from industrial decline into a European capital for MedTech and Pharma. But it is a tightrope walk. We built our modern economy by piggybacking on US giants, and while the CSO data shows the money and jobs are fantastic right now, having your entire national budget depend on the boardroom decisions of a few CEOs in America is the ultimate high risk game.

Starter Activity: Walking debate

- McDonalds is better than Supermacs.
- I could easily survive a full 24 hours without using a single foreign good or service.
- Telling people to buy local is a waste of time because consumers will always just choose the cheapest option.
- Ireland's current economic wealth is entirely an illusion created by FDI.
- I am perfectly happy to buy cheap goods from China (even if it means Irish factories have to close down).
- The Irish government is acting recklessly by relying on just three American companies to pay almost half of our corporate tax bill.
- Giant pharma and tech companies in Limerick do more harm than good (because they artificially drive up local house prices).
- Big multinational companies are creating a severe skills shortage (by poaching all the top graduates from local Irish businesses).
- Global political conflicts like the tensions in Iran directly impact my daily life in Limerick (by driving up local petrol and energy prices).
- Governments should ban fast fashion to stop the exploitation of workers in LDCs.
- Ireland's massive trade surplus is a fake number completely driven by foreign multinational companies.
- Overall globalisation actually does far more harm than good to the average person.
- McDonald's and Nike are wiping out local culture.

Task 1 – Mapping Your Connections

Using the worksheet provided, take **5 minutes** to annotate the map with all the places you are connected to. Consider:

- Where have you travelled to?
- Where have you purchased items from?
- Where do your friends and family live?
- The make of the car that brought you to school today.
- If you use Instagram/TikTok, estimate how many friends/followers you have and the countries they live in.
- The last person you whatsapp / FaceTimed—what country were they in?
- The number of languages you can speak

Task 2 – Where My Stuff Is Made

1. Now, conduct a self-study to see how globalised your belongings are.
2. Place all your possessions on your desk.
3. Check each item for a "Made In..." label.
4. Record your findings on the worksheet and add the locations to your map.



Globalisation

- **Globalisation** refers to the increasing **interdependence** of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies.
 - **Global firms:** Google, Guinness, TikTok, Amazon, Nike
 - Globalisation [video](#)
 - What is [globalisation](#)
 - Pros and cons of [globalisation](#)

Factors Causing Rise in Globalisation

Factors	Explanation
Improved Transport	• Transport advances make global travel easier. • E.g there has been a rapid growth in air travel, enabling greater movement of people and goods across the globe. • The costs of shipping have come down too, due to containerisation, bulk shipping, refrigeration and other efficiencies.
Improved technology	• Rapid and sustained technological change has reduced the cost of communicating information. • This has led to the growth of international trade via advancements in the internet, mobile tech and e-commerce.
Increased population	• The population is rising leading to increased demand worldwide. • Coupled with rising income levels consumers are becoming more demanding in terms of choice of products and services and increased awareness of global businesses
Free Trade Agreements	• The desire to trade internationally, without barriers, grew. Free Trade areas developed • i.e. the European Economic Community which assisted globalisation.
Labour availability and skill	• Countries with lower labour costs such as India and Vietnam, have attracted many global companies to take advantage of the low costs of production.

Advantages of Globalisation

Advantages	Explanations
Division of Labour	Specialisation and economies of scale increases productivity, creates jobs, and improves workers' skills.
Economic growth	Efficiency gains boost incomes and raise living standards, especially in developing countries.
Reduction in Poverty	Higher GDP growth helps reduce extreme poverty in some of the world's poorest countries.
Innovation	Competition drives technological improvements and cost-reducing innovations.
International relations	Reduces trade barriers, encourages cultural exchange, and fosters cooperation between governments.
Spin off effects	Global companies generate wealth, bring foreign currency into local economies, and stimulate further economic activity.

Disadvantages of Globalisation

Advantages	Explanations
Relocation of Jobs / Exploitation	- Jobs may shift to countries with lower labour costs. - This leads to worker exploitation and pressure on governments for favourable treatment of multinational corporations (MNCs).
Global brands dominate	- Dominant global businesses may reduce competition, causing small firms to suffer or disappear. - Dominance of global brands can erode local culture, identity, and economic diversity.
Environmental threat	Rapid growth may lead to environmental damage, such as deforestation, land degradation, and loss of biodiversity, affecting vulnerable populations.
Trade Imbalances	- Growing trade surpluses in some countries create imbalances, leading to tensions and pressures for protectionist policies. Dependence on trade may threaten domestic production, making countries vulnerable if production ceases or becomes too costly.

Exam Question 2021

Question 12

(a) (i) Explain the term **globalisation**.

(ii) Outline two positive impacts **and** two negative impacts of globalisation.

Positive:
1.
2.
Negative:
1.
2.

Exam Question 2024

(b) **Globalisation** is not dead. It may not even be dying. But it is changing.

Adapted from The Financial Times

(i) Explain the term globalisation.

Globalisation:

(ii) Explain two reasons behind the growth of globalisation in the second half of the 20th Century (i.e. between 1950 – 1999).

1.
2.

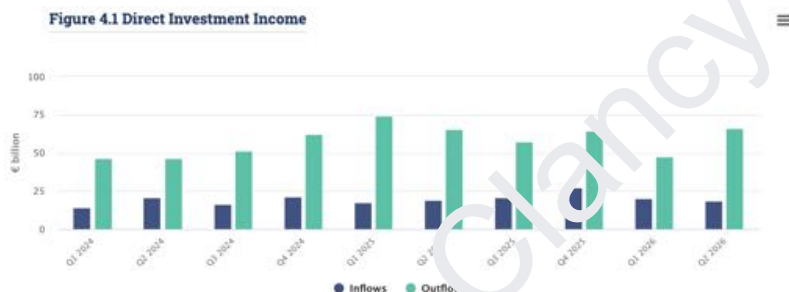
(iii) Outline one positive **and** one negative impact of globalisation.

Positive:
Negative:

Foreign Direct Investment into Ireland

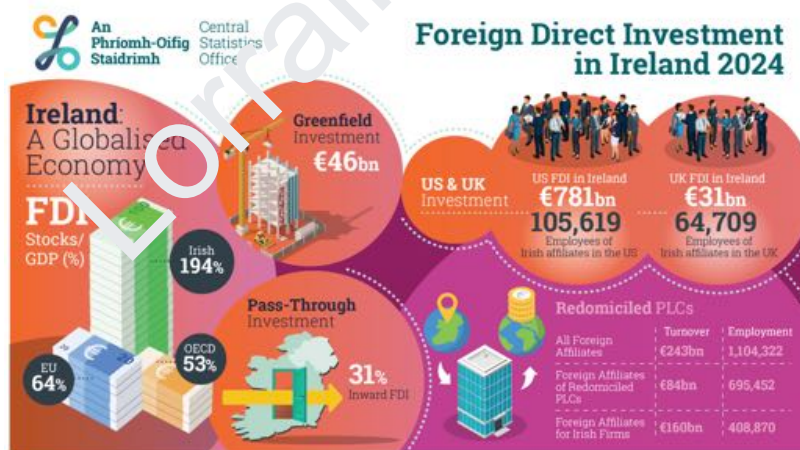
- **FDI: Foreign direct investment:** inward investment into a country, usually from a MNC building a factory in another country
- **IDA: Industrial Development authority** in Ireland is responsible for attracting foreign direct (FDI) investment into Ireland. [Video](#)

Data patterns of inflows and outflows of FDI into Ireland



Source: [CSO, 2024](#)

Foreign Direct Investment in Ireland 2024



Source: [CSO, 2024](#)

Multinational Corporations (MNCs)

- **MNC** is a company that has established a presence in more than one country
 - Headquarters can be in home country and subsidiaries / branches in other countries
 - Eg. Google's headquarters is in California and has business operations all over the world

MNCs in Ireland



Characteristics of MNC

Characteristics	Explanation
Large size	• Huge resources in terms of investment, raw materials and technology
Multi country operations	• Production, business and operations in several geographical locations
High efficiency	• Mass production and economies of scale
Centralised ownership	• One main headquarter with central ownership and control

The Disadvantages of MNCs

Worker exploitation	Resource plundering	Political power
Many MNCs provide poor working conditions & pay very low (sweatshop) wages	Many MNCs extract large quantities of host nation natural resources providing very little compensation/payment	Many MNCs enjoy revenue that is higher than the GDP of the host nation & this gives them immense political power which can be used to their advantage
Reduce competition	Lack of local knowledge/culture	Over reliance on MNCs for jobs
MNCs are so large that they can out-compete domestic firms in the host country. This puts many firms out of business & reduces competition in that country & may increase unemployment	This may result in problematic local relationships or flawed advertising campaigns or product offerings	Many developing nations have an over-reliance on MNCs to provide jobs for their citizens. If the MNC leaves it creates significant unemployment
Diseconomies of scale	Exchange rate fluctuations	Negative Externalities
The challenges of operating a business over different time zones & cultures can create significant diseconomies of scale	Unexpected exchange rate fluctuations can have severe impacts on the costs & profits of MNCs	MNCs are associated with many negative externalities of production in developing countries

Why do MNCs locate in Ireland?

1. **Low Corporation Tax** – Ireland has a corporate tax rate of **12.5%**, one of the lowest in the EU, making it attractive for businesses looking to reduce tax liabilities.
2. **EU Membership** – As a member of the **European Union**, Ireland provides companies with access to a market of over **500 million consumers**.
3. **Skilled Workforce** – Ireland has a well-educated, **English-speaking workforce**, particularly in sectors like tech, pharmaceuticals, and finance.
4. **Favourable Business Environment** – Ireland ranks highly for ease of doing business, with **pro-business policies** and a supportive legal framework.
5. **Strong Infrastructure** – Good transport links, modern office spaces and reliable broadband make it easier for MNCs to operate.
6. **Government Incentives** – Agencies like the **IDA Ireland** provide grants and supports to encourage FDI.
7. **Stable Economy** – Ireland has a strong, growing economy with a focus on innovation and exports.
8. **Cluster Effect** – Many leading MNCs (e.g. Google, Apple, Pfizer) are already in Ireland, creating a business ecosystem that attracts further investment.

How Does FDI Contribute to Ireland's Economy?

1. **Increased Employment** – MNCs provide employment for thousands of Irish workers, both directly and indirectly through supply chains. 20% directly related to FDI.
2. **Higher Wages** – FDI jobs often pay **above-average wages**, especially in sectors like tech and pharmaceuticals.
3. **Tax Revenue** – Corporate taxes from MNCs contribute significantly to government finances, funding public services.
4. **Knowledge Transfer** – MNCs bring new skills, expertise, and training opportunities, improving Ireland's workforce.
5. **Increase in Exports** – Many MNCs manufacture goods or provide services for global markets, increasing Irish exports. Improving Ireland's trade balance.
6. **Investment in Infrastructure** – MNCs contribute to improved infrastructure, such as office spaces, research facilities, and tech hubs.
7. **Spillover Effects** – Local businesses benefit from increased demand for goods and services, such as housing, transport, and retail.
8. **Investment in R&D** – Many MNCs invest in **research and development (R&D)**, supporting Ireland's reputation as a global innovation hub.

Exam 2022 OL

(b) TikTok shortlists five Dublin sites for new headquarters.

Adapted from independent.ie

(i) Name two other Multi-National Corporations operating in Ireland.

1.	
2.	

(ii) Outline two reasons why TikTok would locate in Ireland.

1.	
2.	

(iii) Describe two possible economic benefits to the local community of a Multi-National Corporation locating in your local area.

1.	
2.	

Exam 2021 OL

Question 11

(b) (i) Outline **one** advantage or **one** disadvantage of **globalisation**.

Indicate which one you are answering by placing a tick (✓) in the box below:

Advantage: ☐ Disadvantage: ☐

Answer:

(ii) Name **two** multinational companies (MNCs) that operate in Ireland.

1.	
2.	

(iii) Outline **two** reasons why MNCs locate in Ireland.

1.	
2.	