Trade, exchange rates and the global economy

Pearson Edexcel · International A-Level · Economics · Vocabulary in context

Word	Example
comparative advantage /kəm'pærətɪv əd'væntɪdʒ/	A country has a **comparative advantage** in what it gives up least to make.
opportunity cost /ɒpə'tju:nɪti kɒst/	The **opportunity cost** of a holiday is what else you could have bought.
globalisation /ˌgləʊbəlaɪ'zeɪʃn/	**Globalisation** links countries through trade, money and ideas.
foreign direct investment /'fɒrən daɪ'rekt ɪn'vestmənt/	Building a factory abroad is **foreign direct investment**.
terms of trade /tɜ:mz ɒv treɪd/	The **terms of trade** compare export prices with import prices.
tariff /'tærɪf/	A **tariff** is a tax on imported goods.
quota /'kwəʊtə/	An import **quota** limits how many cars can come in.
current account /'kʌrənt ə'kaʊnt/	Money from selling services abroad goes into the **current account**.
exchange rate /eks'tʃeɪndʒ reɪt/	The **exchange rate** is the price of one currency in another.
Marshall-Lerner condition /'mɑ:ʃl 'lɜ:nə kən'dɪʃn/	The **Marshall-Lerner condition** says a weaker currency helps trade only if demand is elastic enough.

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J-curve /dʒeɪ kɜːv/	The **J-curve** shows the trade balance getting worse before it gets better.
transnational company /træn'snæʃənl 'kʌmpəni/	A **transnational company** works in many countries.
transfer pricing /'trænsfɜː 'praɪsɪŋ/	With **transfer pricing**, one part of a company charges another part a set price.
World Trade Organization /wɜːld treɪd ˌɔːgənaɪ'zeɪʃn/	The **World Trade Organization** sets the rules for trade between countries.
free-trade area /friː treɪd 'eərɪə/	Members of a **free-trade area** have no tariffs between them.
customs union /'kʌstəmz 'juːnɪən/	A **customs union** also has the same tariff on goods from outside.
common market /'kɒmən 'mɑːkɪt/	A **common market** also lets workers and money move freely.
economic and monetary union /ˌiːkə'nɒmɪk ænd 'mʌnɪtəri 'juːnɪən/	An **economic and monetary union** shares one currency, such as the euro.
floating exchange rate /'fləʊtɪŋ eks'tʃeɪndʒ reɪt/	A **floating exchange rate** moves up and down with supply and demand.
fixed exchange rate /fɪkst eks'tʃeɪndʒ reɪt/	A **fixed exchange rate** is held at one value by the government.
devaluation /diːˌvæljuː'eɪʃn/	**Devaluation** lowers a fixed exchange rate.
unit labour cost /'juːnɪt 'leɪbə kɒst/	**Unit labour cost** is the wage cost of making one unit.

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financial account /faɪˈnænʃl əˈkaʊnt/	Money invested abroad is recorded in the **financial account**.

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