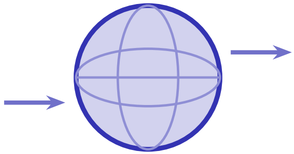
International Trade & Globalisation

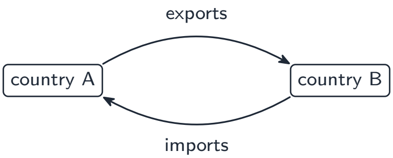
IGCSE Economics ▪ Topic 6

IGCSE Economics



What we will cover

1. Specialisation & free trade
2. Globalisation & MNCs
3. Trade protection
4. Tariffs
5. Exchange rates
6. Balance of payments



exports & imports

Specialisation and free trade

Countries **specialise** 专业化 in what they make best, sell **exports** 出口 & buy **imports** 进口.

> **Free trade** 自由贸易 gives cheaper goods & more choice, but home firms may struggle to compete.

Specialisation and trade raise living standards

Specialisation and free trade – gains

each country makes what it is best at $\xrightarrow{\text{specialise}}$ then they trade

more goods for everyone

Globalisation and MNCs

- **globalisation** 全球化 – economies joined by trade, travel & the internet
- **MNCs** 跨国公司 – bring jobs & investment, but profits may flow abroad

Trade and capital link national economies

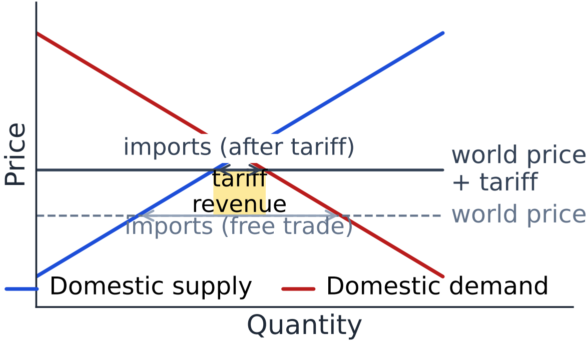
Trade protection

Tariff	Quota	Subsidy	Embargo
a tax on imports	a limit on import amount	money to home firms	a total ban on trade

Protection 贸易保护 shields home firms:

- **tariffs** 关税 – a tax on imports
- **quotas** 配额 – a limit on imports
- **subsidies** 补贴 & rules

Tariffs



A **tariff** 关税 raises the import price above the world price.

> This protects home producers & raises tax, but raises prices for consumers.

Exchange rates

Appreciation	**Depreciation**
(currency rises in value)	*(currency falls in value)*
exports dearer, imports cheaper → exports fall, imports rise	exports cheaper, imports dearer → exports rise, imports fall

Appreciation 升值 (a stronger currency) makes exports dearer & imports cheaper.
Depreciation 贬值 does the reverse.

Balance of payments

exports (money in) > imports (money out) = a surplus

imports > exports = a deficit

The **balance of payments** 国际收支 records money in & out.

- exports > imports – a **surplus** 顺差
- imports > exports – a **deficit** 逆差

Worked example – using an exchange rate

£1 = $1.30. (a) A UK machine costs £2,000 – price to a US buyer? (b) A US laptop costs $650 – cost to a UK buyer?

- (a) Going from pounds to dollars: multiply.
- $2{,}000 \times 1.30 = \$2{,}600$
- (b) Going from dollars to pounds: divide.
- $650 \div 1.30 = £500$

Check the answer is sensible: £1 buys more than a dollar, so a pound price becomes a bigger dollar number. If it looks wrong, you divided instead of multiplying.

Topic 6 – key takeaways

1 Free trade

specialise; cheaper goods & more choice

2 Protection

tariffs, quotas & subsidies

3 Exchange rates

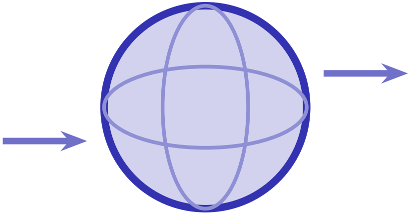
appreciation: dear exports, cheap imports

4 Payments

exports vs imports: surplus or deficit

Check yourself

1. What is a good a country buys from abroad?
2. What is a tariff?
3. What does a stronger currency do to exports?
4. When is the balance of payments in surplus?



Answers **1.** an import **2.** a tax on imports **3.** makes them dearer **4.** when exports exceed imports