

International Trade & Globalisation

IGCSE Economics ■ Topic 6

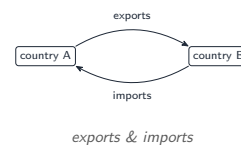
IGCSE Economics



International Trade & Globalisation

What we will cover

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



1 Trade

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Trade

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.

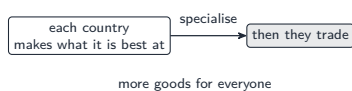


Specialisation and trade raise living standards

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Specialisation and free trade – gains



Countries **trade** 贸易 with each other: they sell some goods and buy others.

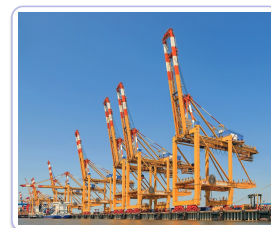
Just as one worker can focus on one task, a whole country can focus on making the goods it is best at.

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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

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Trade protection

Tariff
a tax on imports

Quota
a limit on import amount

Subsidy
money to home firms

Embargo
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

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Tariffs

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

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

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Currency and payments

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Currency and payments

Exchange rates

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

Appreciation

(currency rises in value)

exports dearer,
imports cheaper →
exports fall, imports rise

Depreciation

(currency falls in value)

exports cheaper,
imports dearer →
exports rise, imports fall

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Currency and payments

Balance of payments

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

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

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

imports > exports = a deficit

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Recap

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