

Section 6 International trade and globalization

- Chapter 36 International specialization
 - Specialization of countries at national level
 - advantages and disadvantages of specialization at a national level
- Chapter 37 Free trade and protection
 - Globalization
 - Why
 - Reduced transport costs
 - Advances in communications
 - Removal of some trade restrictions
 - Advantages
 - Consumers being able to buy a greater range of products at relatively low prices
 - Disadvantages
 - Making economies more susceptible to external shocks
 - One economy can have a significant impact on other economies
 - Cause structural unemployment
 - Increased competition
 - Role of multinational companies
 - MNC is a business organisation that produces in more than one country.
 - Advantages
 - Increase employment
 - Output and tax revenue
 - Bring in new technology and management ideas
 - Help in development of infrastructure
 - Disadvantages
 - Less care about pollution
 - Possess the ability to put pressure on the host government
 - may drive domestic firms out of business
 - profit made won't be invested in host country
 - The benefits of free trade
 - allow countries to concentrate on what they are best at producing
 - allow for an efficient allocation of resources
 - world output, employment and living standards could be higher

- lower prices and raise the quality of products
- Methods of protection
 - Tariff
 - Quota
 - Embargo
 - Exchange control
 - Quality standards
 - Expensive paperwork
 - Voluntary export restraints
 - Subsidies
 - Restrictions on exports
- The reasons for and consequences of protection
 - protection of infant industries (sunrise industries)
 - protection of declining industries (sunset industries)
 - protection of strategic industries
 - raising employment and improving the trade position
 - protection of industries from low wage competition
 - protection of industries from dumping
 - protecting industries from other forms of unfair foreign competition.
- Chapter 38 Foreign exchange rate
 - A foreign exchange rates
 - A fixed exchange rate
 - A change in the value of the currency from one exchange rate to a lower one is referred to as devaluation
 - A rise in a fixed exchange rate is called a revaluation.
 - A floating exchange rate
 - determined by market forces
 - Appreciation
 - Depreciation
 - The determination of a foreign exchange rate in a foreign exchange market
 - FDI
 - The reasons for the demand and supply of currency in a foreign exchange market
 - EXAMPLE - Rupees
 - Demand will come from
 - Foreigners wishing to buy Indian goods and services

- Foreign-based branches of Indian multinational companies sending back profits to India
- Foreign banks buying currencies on behalf of their customers and paying interest on money held by Indian residents
- Foreign firms paying dividends on shares held by Indian residents
- Indians working abroad, wishing to send money back home to relatives
- Foreign firms wishing to buy Indian firms and setting up units in India
- Foreign firms and individuals wanting to buy shares in Indian companies, to save in Indian banks and lend to Indian firms or individuals
- Foreign governments wanting to hold rupees as reserves
- Speculators buying rupees in the expectation that the rupee will rise in value in the future. Significant sums of currency can be traded by speculators
- Supply will come from
 - Indians wishing to buy foreign goods and services
 - Foreign multinational companies based in India, sending profits home
 - Indian banks selling currencies on behalf of their customers and paying interest on money held by foreign people living abroad
 - Indian firms paying dividends on shares held by foreigners
 - Foreigners working in India, sending money home to their relatives
 - Indian firms wishing to buy foreign firms and setting up production units in other countries
 - Indian firms and individuals wanting to buy shares in foreign companies, save in foreign banks and lend to foreign firms and individuals
 - The Indian government wishing to hold foreign currencies in its reserves
 - Speculators selling rupees because they expect the price of the rupee to fall

- The causes of exchange rate fluctuations
- The consequences of a change in the exchange rate
- The advantages and disadvantages of floating and fixed foreign exchange rate

• Chapter 39 Current account of balance of payments

- Structure of the current account
- The causes of current account deficit
- The consequences of a current account deficit
- The causes of a current account surplus
- The consequences of current account surplus
- Policies to achieve balance of payments stability