

(O Level/IGCSE) (Economics) (2281/0455)

(Unit no.8): (International aspects)

Recommended Prior Knowledge

This Unit can be studied without any prior knowledge but it does relate to some of the topics covered in previous Units. Specialisation at regional and national levels has links with factors of production and opportunity cost, covered in Unit1, and clearly with specialisation for the individual, covered in Unit 3. The structure of the current account of the balance of payments is connected with the aim of balance of payments stability, covered in Unit 5. In defining and discussing the causes and consequences of exchange rate fluctuations, it is important to apply demand and supply analysis which is covered in Unit 2. The arguments for and against free trade and protection have some connection with the merits of the market system and market failure in Unit 2 and with the government's influence on private producers in Unit 5.

Context

As already indicated, the Unit builds on a range of topics already covered including factors of production, opportunity cost, balance of payments stability, demand and supply, the benefits of government intervention versus free market forces and the government's influence on private producers.

Outline

This Unit starts by describing the advantages and disadvantages of specialisation at regional and national levels, making use of the concepts of absolute and comparative advantage. It then considers the structure of the current account of the balance of payments, taking into account trade in goods (visible balance), trade in services (invisible balance), income and current transfers. The causes and consequences of exchange rate fluctuations are examined. Finally, it explores how domestic industries can be protected from foreign competition and the contrasting merits of protectionism and free trade.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
8a	Students should be able to describe the benefits and disadvantages of specialisation at regional and national levels	Examples could be given of countries that specialise in particular products. For instance, Saudi Arabia in oil, Kenya in horticultural products and tea and Bangladesh in clothing. Students could be asked to discuss the advantages and disadvantages of specialisation.	Online http://www.en.wikipedia.org/wiki/International_trade (use the nature of international trade, top trading nations, regulation of international trade and risks involved in international trade) http://tutor2u.net/economics/revision-notes/a2-macro-pattern-international-trade-htm

AO	Learning outcomes	Suggested Teaching activities	Learning resources
			(changes in the pattern of UK trade) Textbooks Grant Unit 49 Moynihan and Titley Chapter 22 Section 2 Dransfield, Cook and King pages 186-187
8b	Students should be able to describe the structure of the current account of the balance of payments	Students need to examine the current accounts of a number of countries including their own. Grant, Moynihan and Titley and Dransfield, Cook and King all provide activities and exercises on both the structure of the current account and on causes of changes in the current account.	Online http://www.bized.co.uk/virtual/dc/trade/theory/th7.htm http://www.s-cool.co.uk/alevel/economics/the-balance-of-payments.html Textbooks Grant Units 47 and 48 Moynihan Chapter 18 Sections 1 and 2 Dransfield, Cook and King pages 188-189
8c	Students should be able to define exchange rates	Students could find out the current value of their currency against a number of other currencies. They could use Grant, Moynihan and Titley or Dransfield, Cook and King to research floating and fixed exchange rates and could be asked to decide whether their exchange rate is fixed or floating.	Online http://www.s-cool.co.uk/alevel/economics/exchange-rates.html http://www.tutor2u.net/economics/gcse/revision_notes/international-trade-exchange-rate.htm (definitions and why exchange rates change) Textbooks Grant Unit 50 Moynihan Chapter 11 Section 3 Dransfield, Cook and King pages 190-191

AO	Learning outcomes	Suggested Teaching activities	Learning resources
8d	Students should be able to discuss the causes and consequences of exchange rate fluctuations	As well as undertaking activities and exercises in the textbooks mentioned, it would be useful for students to follow particular rates of exchange for a number of weeks and to provide a written explanation of why it has or has not changed, making use of demand and supply diagrams. Dransfield, Cook and King have a useful case study on the Australian currency (pages 194-195).	<p>Online http://www.s-cool.co.uk/alevel/economics/exchange-rates/exchange-rate-systems.html (fixed and floating exchange rates) http://www.tutor2u.net/economics/content/topics/exchangerates_fixed_floating.htm (brings out the advantages and disadvantages of fixed and floating exchange rates)</p> <p>Textbooks Grant Unit 51 Moynihan and Titley Chapter 18 Section 4 Dransfield, Cook and King pages 192-195</p> <p>Other :Newspaper articles</p>
8e	Students should be able to describe methods of protection	Grant, Moynihan and Titley and Dransfield, Cook and King all provide details about methods of protection. It would be useful for students to find examples of trade restrictions employed by a number of countries. Dransfield, Cook and King have an interesting case study on the protectionist measures used by Ecuador (page 197).	<p>Online http://www.bbc.co.uk http://www.s-cool.co.uk/alevel/economics/why-trade/the-case-against-free-trade.htm (arguments for and against protection) http://www.tutor2u.net/economics/revision-notes/a2-macro-protectionism.html (covers a wide range of methods of protection and arguments for and against)</p> <p>Textbooks: Grant Unit 52 Moynihan and Titley Chapter 22 Section 3 Dransfield, Cook and King pages 196-197</p>

AO	Learning outcomes	Suggested Teaching activities	Learning resources
8f	Students should be able to discuss the merits of free trade and protection	<p>This is an interesting area which students can enjoy exploring and debating. Grant, Moynihan and Titley and Dransfield, Cook and King all provide information on the arguments for free trade and protectionism. Students can examine current cases by using newspaper articles, news websites and the WTO website. They could be asked to role play. For instance, in debating whether EU countries should impose trade restrictions on Chinese shoes, students could take the role of EU ministers, Chinese ministers, EU shoe producers, Chinese shoe producers, workers in the EU shoe industry, workers in the Chinese shoe industry, EU consumers, Chinese consumers and WTO officials. At the end of this Unit, students could carry out the activities in Grant Workbook Section 8 and at the end of Grant Section 8. The questions at the end of the Unit in Dransfield, Cook and King would also be useful (pages 202-204).</p>	<p>Online http://www.bized.co.uk/virtual/dc/trade/theory/th2.htm (comparative advantage and absolute advantage) http://www.s-cool.co.uk/alevel/economics/why-trade/the-case-for-free-trade-comparative-advantage.htm (numerical and graphic examples) http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm (details about recent trade disputes)</p> <p>Textbooks Grant Unit 52 Grant Workbook Section 8 Moynihan and Titley Chapter 22 Section 3 Dransfield, Cook and King pages 198-201</p>