

## Characteristics of globalisation

<b>1</b>	increased investment flows
<b>2</b>	world trade rising as a proportion of world Gross Domestic Product (GDP)
<b>3</b>	increased migration (increasing movement of people within and between trading blocs and national boundaries)

## Factors contributing to globalisation in the last 50 years

<b>1</b>	trade liberalisation – this refers to the reduction in trade barriers between countries
<b>2</b>	capital market liberalisation
<b>3</b>	political change resulting in the opening up of China and the former Soviet Union
<b>4</b>	reduced cost of transport and communications
<b>5</b>	increased significance of global (transnational) companies

## Indicators of growth: GDP per capita

GDP per capita - is a measure of a country's economic output that accounts for its number of people. It divides the country's gross domestic product by its total population.

1. Hides extremes.
2. Doesn't say how wealth is spread.
3. Doesn't take the cost of living into account.
4. Only takes money into account.
5. Illegal workers and volunteers aren't included.

## Indicators of growth: HDI

The HDI was introduced to combine three measures – life expectancy (a social measure), education (average number of years of schooling and expected years of schooling – a social measure) and gross national income per capita (an economic measure).

The HDI is expressed as a value between 0 and 1. The closer to 1 the score is, the higher level of human development.

## Specialisation

Specialisation refers to a situation when a country focuses a major portion of its factors of production in the production of a specific product or service. E.g. Saudi Arabia specialises in oil production whereas South Korea specialises in electronics

Positives	Negatives
Allows a country to make full use of their economic resources	World prices for a product might fall leading to declining revenues
Increases the scale of production – leads to lower costs and prices	Risk of over-specializing and structural unemployment
Surplus can be exported, an injection into the circular flow of income	Might lead to over-extraction of a country's natural resources

## Evaluating HDI

Positives	Negatives
<ol style="list-style-type: none"> <li>1. There is widespread use of HDI to compare development levels and it does reveal clear global patterns.</li> <li>2. Does not solely concentrate on economic development, and takes into consideration that there are other, more social, ways to measure human development.</li> <li>3. Increase in education and health shows an improvement in a country's infrastructure.</li> </ol>	<ol style="list-style-type: none"> <li>1. Data from some developing countries may not be very reliable and may be difficult to confirm.</li> <li>2. The measures chosen may seem very arbitrary to some because there are other way of measuring relative qualities in health and education.</li> <li>3. Similar criticism of GDP, that it does not measure unequal distribution within the country.</li> <li>4. No indication in the education index about access to education for all groups in society</li> </ol>

## Trade blocs

<b>Free Trade Area</b> Members agree to reduce or abolish trade barriers such as tariffs and quotas between themselves. They maintain their own individual tariffs and quotas with respect to non-members.
<b>Customs Union</b> Countries that belong to customs unions agree to reduce or abolish trade barriers between themselves and agree to establish common tariffs and quotas with respect to outsiders.
<b>Common Market</b> This is a customs union in which the members also agree to reduce restrictions on the movement of factors of production – such as people and finance – as well as reducing barriers on the sale of goods.
<b>Economic Union</b> A common market which is taken further by agreeing to establish common economic policies on such things as taxation and interest rates and, even, a common currency.



### Impact of exchange rate changes

1	A depreciation (devaluation) will make exports cheaper and exporting firms will benefit.
2	However, firms importing raw materials will face higher costs of imports.
3	Boost to employment in exporting industries following a depreciation
4	Exporting firms will be more competitive abroad following a depreciation
5	A depreciation may encourage foreign investment
6	Depreciation may boost economic growth

### Effective exchange rate

Effective Exchange Rate (EER) index is a weighted index of a currency's value against a basket of currencies. The weights are based on the importance of trade between the one country and its trading partners so may vary over time with changing patterns of trade.

### Distinction between visible and invisible imports and exports

Visible exports – tangible goods sold to other countries	Invisible exports – intangible services sold to other countries e.g. insurance, banking
Visible imports – tangible goods bought in from other countries	Invisible imports – services bought from other countries