Learning Aim B

Pass	Merit	Distinction
Learning aim A: Explore the international context for business operations		**AB.D1** Evaluate the impact of globalisation on a business.
A.P1 Explain why two businesses operate in contrasting international markets. **A.P2** Explain the types of finance available for international business.	**A.M1** Analyse the support that is available to contrasting businesses that operate internationally.	
Learning aim B: Investigate the international economic environment in which business operates		
B.P3 Explain the main features of globalisation that affect two contrasting businesses. **B.P4** Explore the role of trading blocs on international trade.	**B.M2** Analyse the barriers of operating internationally for two contrasting businesses.	

P3: Causes of Globalisation

- The main features of globalisation
- e.g. trading blocs, international mobility of labour and capital, international currencies, multinational corporations, international business communications, international payment systems.

P4: Explore the role of trade blocs on international trade

- World Trade Organization (WTO).
- Customs unions and common markets, e.g. European Union (EU), Mercosur (South American nations).
- Free-trade areas such as North American Free Trade Area (NAFTA), Asia-Pacific Economic Cooperation (APEC).

Trading Blocs

- Trading Blocs are groupings of nations that encourage trade, normally on a regional basis, in order to tap in to the gains from trade. Barriers to trade are reduced or eliminated among participating states

- ASEAN: 10 Countries from south east asia
- MERCOSUR: Latin America
- EMU/EEA: European Union

Key distinctions

- Free trade area: a group of countries that agree to trade without barriers between themselves, but have their own individual barriers with countries outside of the area
- Customs Union: a group of countries that agree to trade without barriers, but also a common tariff barrier against the rest of the world.
- Trade creation: the replacement of more expensive domestic production or imports with cheaper output from a partner within the trading bloc
- Trade diversion: the replacement of cheaper imported goods by goods from a less efficient trading partner within a bloc.

Key distinctions

- Creating a free trade area or customers unions means that they trade with each other instead of with the rest of the world.
- This can divert trade inefficiently, meaning the gains from trade are not realised. Ideally trade creation is preferable.

The Common Market

- A set of trading arrangements in which a group of countries removes barriers to trade among them, adopt a common set of barriers against external trade, establish common tax, rates and laws regulating economic activity, allow free movement of factors of production between members and have common public sector procurement policies

- http://www.bbc.co.uk/news/av/uk-politics-eu-referendum-36431253/common-market-1975-referendum-your-views

Monetary Union

- A situation in which countries adopt a common currency, also known as a currency union.

- Economic and Monetary Union: A set of trading arrangements the same as for a common market, but in addition having a common currency. (Can involve permanently fixed exchanged rates and common monetary policy) (See ECB, Greece)

Evaluating Economic and Monetary Unions

- https://www.vox.com/2015/7/1/8871509/greece-charts

- https://www.thebalance.com/what-is-the-greece-debt-crisis-3305525

Evaluate the issues with Economic and Monetary Unions as made evident with Greece

Guess the EU member by the capital

- Warsaw
- Lisbon
- Bucharest
- Bratislava
- Ljubljana
- Madrid
- Stockholm
- London

- Vienna
- Brussels
- Sofia
- Zagreb
- Nicosia
- Prague
- Copenhagen
- Talinn
- Helsinki
- Paris

- Berlin
- Athens
- Budapest
- Dublin
- Rome
- Riga
- Vilnius
- Luxembourg
- Valletta
- Amsterdam

Guess the EU member by the capital

- Austria – Vienna
- Belgium – Brussels
- Bulgaria – Sofia
- Croatia – Zagreb
- Cyprus – Nicosia
- Czech Republic – Prague
- Denmark – Copenhagen
- Estonia - Talinn
- Finland – Helsinki
- France – Paris
- Germany – Berlin
- Greece – Athens
- Hungary – Budapest
- Ireland – Dublin
- Italy – Rome
- Latvia – Riga
- Lithuania – Vilnius
- Luxembourg – Luxembourg
- Malta – Valletta
- Netherlands – Amsterdam
- Poland – Warsaw
- Portugal – Lisbon
- Romania – Bucharest
- Slovakia – Bratislava
- Slovenia – Ljubljana
- Spain – Madrid
- Sweden – Stockholm
- UK - London

The EU

- The Single European Market: Idea was to create a common market with free movement of goods, services, people and capital with no barriers to trade within the market and common tariffs to be set against the rest of the world.

- Transaction costs: Trade barriers between EU countries abolished under the Treaty of Rome but non-tariff barriers still exist. Removing barriers and border controls was thought to reduce the costs of trade within the EU

The EU

- Economies of Scale: With increased trade comes more opportunities to exploit economies of scale. More efficient use of resources so long as trade creation > trade diversion

- Widely shared technology, transport and communications can contribute to the process.

The EU

- Intensified competition: Same as privatisation- by intensifying competition, firms are to seek more efficient production techniques, eliminating x-inefficiencies.

- Large firms can be ‘national champions’ that are protected and subsidised by the government. Other countries allow firms to face more intense competition for the efficiency game

The EU

- Gains from the SEM: Generally EU countries are advanced and industrial, labour is expensive relative to capital.

- Comparative advantage means that relatively labour abundant countries in southern Europe may gain more from integration.

- Countries that stand to gain tend to have high barriers that would be abolished.

Autarky

A closed economy that attempts to be self-sufficient and refuses all trade. It is a closed economy.

Pol Pot's Khmer Rouge- Agrarian Socialism; Cambodia, 1963-97. 1.5 to 2 million Cambodians died of starvation, execution, disease or overwork.

WTO Rules

Operates under the multilateral rules for international trade

See Next Slide for WTO Rules

Free Trade Area

A group of countries that agree to trade without trade barriers between themselves, but having their own individual barriers with countries outside of the area

E.g. European Economic Area EEA

Customs Union

A group of countries that agree to trade without barriers between them, and a common tariff barrier against the rest of the world

European Union Customs Union

Common Market

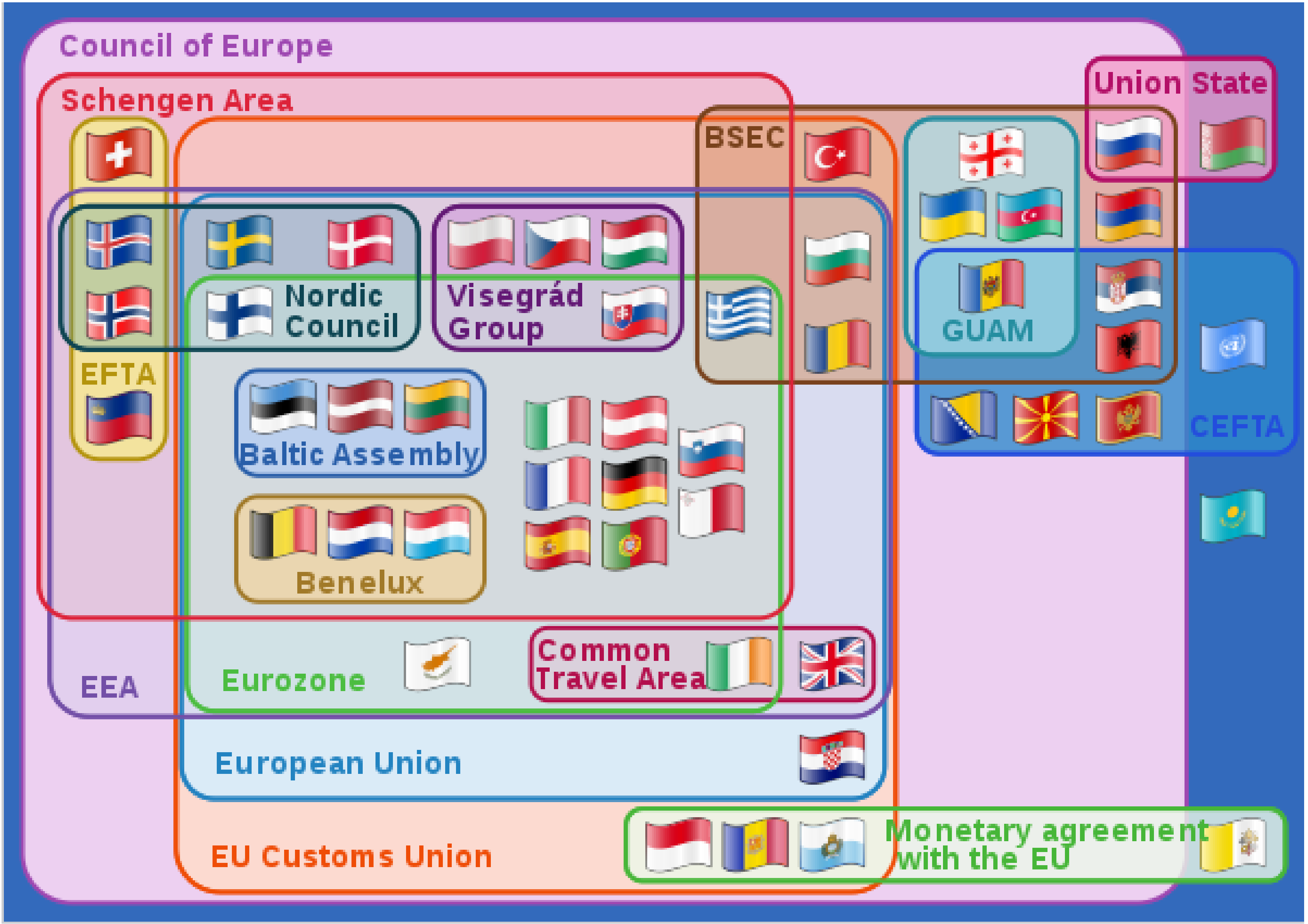
A set of trading arrangements in which a group of countries remove barriers to trade among them, adopt a common set of barriers against external trade, establish common tax rates and laws regulating economic activity, allow free movement of factors of production between members and have common public sector procurement policies

E.g. EEC – European Economic Community now just EC

Economic and Monetary Union

A set of trading arrangements the same as for a common market, but in addition having a common currency (or permanently fixed exchange rages between member countries and a common monetary policy

EMU – European Monetary Union


Council of Europe
Schengen Area
Union State
BSEC
EFTA
Nordic Council
Visegrád Group
GUAM
CEFTA
Baltic Assembly
Benelux
Common Travel Area
EEA
Eurozone
European Union
Monetary agreement with the EU
EU Customs Union

M2: Analyse the barriers of operating internationally for two contrasting businesses

- The reasons for protectionism in international markets, e.g. to protect infant industries, to protect employment/local business.

- Methods for protecting markets, e.g. tariffs, customs duties, currency restrictions, quotas, subsidies, legal restrictions.

- Barriers to trade, e.g. trade restrictions, exchange rate volatility, legal and regulatory systems, financial requirements, operating risks, economic sanctions

D1: Evaluate the impact of globalisation on a business

- For distinction standard, learners will prepare individual reports that incorporate a **wide range of research evidence** that is drawn from relevant sources evaluating the impact of globalisation on **a particular business**, over a period of **five to ten years**. Learners will ensure that careful consideration is given to **all relevant factors**.

- This task involves bringing all of your previous knowledge of globalisation together.

D1: Evaluate the impact of globalisation on a business

- Start with an opening paragraph- what is globalisation, and which business are you going to be talking about?
- Start each paragraph by stating one impact that globalisation has had on your chosen business.
- Be specific with your examples throughout, and use referencing to demonstrate that your points have been researched.
- Once you have done this, explain why globalisation has led to this- step by step.
- You then need to make an evaluative comment- has this had a positive or negative impact on your chosen business? Has the impact been large or small? How of the impact can be because of globalisaiton?