

Syllabus Items: 157-160

See Webnote 507 for reading schedule

Items: HL only: 159

3.4: 3 Big Ideas



The BIG ideas!

Exchange Rates: summary

I.b Syllabus 3.2: Macroeconomic Objectives: Exchange Rates

Syllabus 157-160

- 342: What is economic integration?

3.4 economic integration

3.4 integration - yellowsubm x +

← → ↻ ⌂ 🔒 https://www.yellowsubmariner.com/34-integration.html

Apps ISD YS ISD Coaching HP3-Hodders YS MAIL edit Economist Welker Gruveo UTube Classical vids ToK tok IBSS Other Bookmarks

TYPES OF TRADE BLOCS

PREFERENTIAL TRADE AREA	FREE TRADE AREA	CUSTOMS UNION	COMMON MARKET	ECONOMIC UNION	FULL INTEGRATION
Lower, but not eliminate, barriers among members.	Eliminate internal barriers, but maintain independent external barriers. e.g., NAFTA	Eliminate internal barriers, agree on common external barriers. e.g., EU Treaty, or Canada-Kuwait/Arabian Gulf (2016)	Eliminate internal barriers, adopt common external barriers, allow free movement of resources (e.g., labor) among member countries. e.g., Mercosur (Southern Cone Market), East African Community, or West African Community	Eliminate internal barriers, adopt common external barriers, free movement of resources, AND a uniform set of economic policies. e.g., European Union	e.g., the United States


SYLLABUS 3.4 ECONOMIC INTEGRATION

Home

345 - Syllabus + BIG Questions for 99

344 - IB Questions

99 - Notetaker




Syllabus 3.4

Economic Integration

3.4 Mayu Notes

342 - What is Economic Integration ?

Episode 38: Trade Blocs



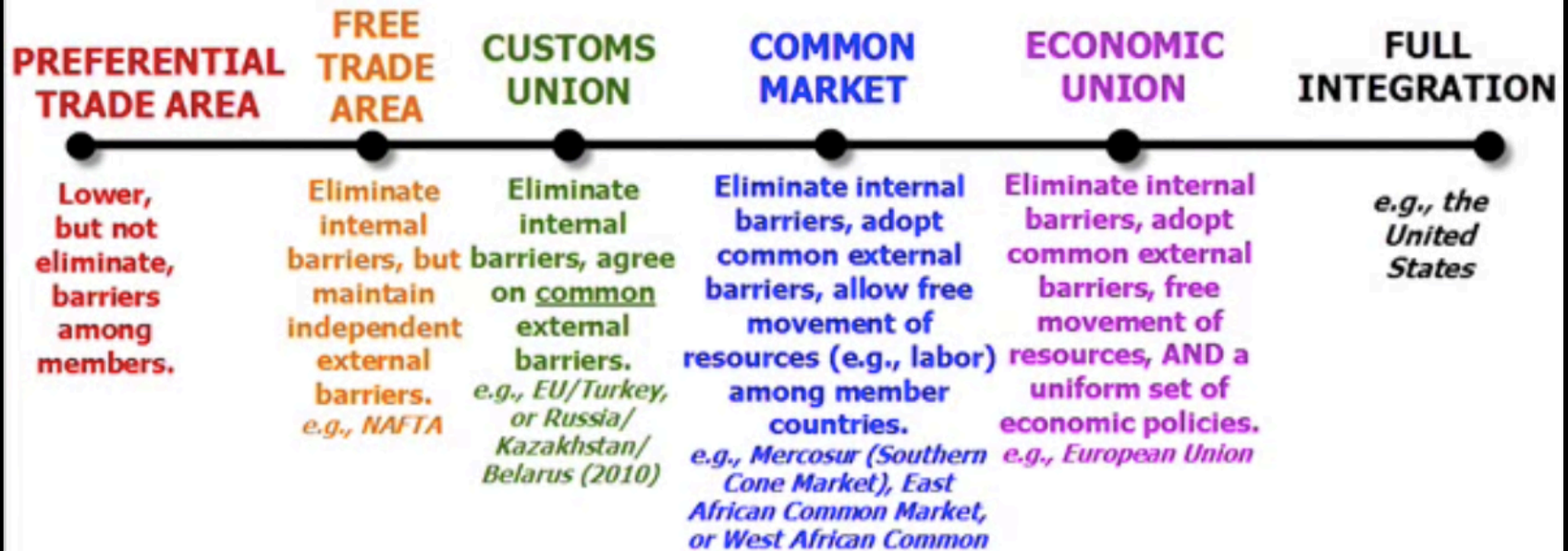
3.4 - Economic Integration

1. common market
2. customs union
3. free trade area (FTA)
4. globalization
5. trading block

HL

Integration results in lower costs for firms, higher output and more efficient markets inside the bloc

TYPES OF TRADE BLOCS



Trade bloc increases specialisation size of firms and firms gain cost advantages through lower costs of production. Output and trade increases i.e. high cost producer loses out to low cost producer

- Trade creation in a trade bloc (=benefits of free trade occur)

The idea here is that when countries enter a trade bloc competition between firms rises. Countries will specialise on producing what they produce more efficiently. We then get specialisation and trade. One country specialises, bloc output increases and trade occurs. This is the result of free trade inside the bloc. There will be losers and one country will lose that industry e.g. UK car industry. UK financial sector 'City' of London.

- Domestic firms lose + consumers win + trade increases at lower prices

Trade bloc increases specialisation size of firms and firms gain cost advantages through lower costs of production. Output and trade increases i.e. high cost producer loses out to low cost producer

- Trade diversion in a trade bloc
(=advantages of tariff for domestic firm)

The idea here is that when a country enters a trade bloc the entrant will now have to accept external tariff rules (impose tariff on its former trading partners and therefore promote inefficiency. Entrant now has a larger domestic market. Any protectionism by bloc is applied to new country entering the bloc. There will be winners (firms) losers (consumers).

- Domestic firms win + consumers lose as prices rise

3.4 Key terms

3.4 - Economic Integration

common market

customs union

free trade area (FTA)

globalization

trading block

HL

economic sovereignty

political sovereignty

trade creation

trade diversion