

Macroeconomics

Balance of payments:

The balance of payments is a record of countries transactions with the rest of the world it shows receipts from trade. It consists of the current and financial account:

The current account-this is a record of all payments to trade in goods and services plus income flow, it is divided into four parts

1. Balance of trade in goods-visible
2. Balance trade in services-invisible eg tourism/insurance
3. Net income flows. Primarily income flows (wages and investment income)
4. Not current transfers. Secondary income flows (Government transfers to UN/EU)

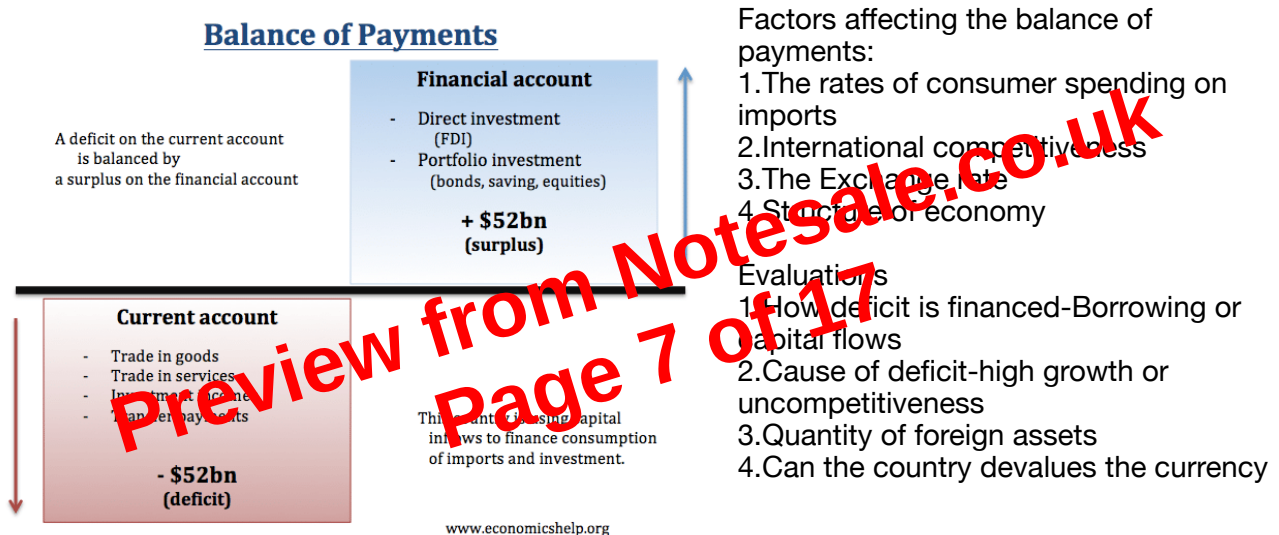
The financial account-this is a record of all transactions were financial investment it includes:

Direct investment-This is net investment from abroad for example if the UK built factory in Japan it would be a debit item on the UK financial account

Portfolio investment-these are financial flows such as the purchase of bonds or saving in banks

Short-term monetary flows(hot money flows) to take advantage of exchange rate changes for example foreign investors saving money in the UK bank is to take advantage of better interest rates-Will be a credit item on the financial account

The capital account-this refers to transfer the funds associated with buying fixed asset such as land.



The U.K.'s current account has a cyclical nature. The current account deficit often increases after a period of economic growth. Hi economic growth leads to Higher consumer spending and therefore more spending on imports. In economic downturn spending on import usually declines leading to a smaller current-account deficit.

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Types of trading blocs:

Preferential trading areas-tariff and other trade barriers are reduced on some but not all goods

Free trade areas-reduction or elimination of trade barriers on all goods than and pose their own barriers on imports from countries not in the trading bloc

Customs unions-removal of tariff barriers between members and acceptance of common external tariffs against nonmembers.

Common markets-members trade freely in all economic resources such as goods services capital and labour. There may also be common policies affecting key industries such as the common agricultural policy

Monetary unions-two or more countries with a single currency and exchange rate that is monitored and controlled by one central-bank or several central banks close record needed management policy e.g. EU

The Eurozone-European Central bank distributes notes and coins sets interest rates maintain stability managers foreign currency reserves. Governments agreed not to exceed a fiscal deficit of more than 3% and not to have a national debt are more than 60%. Freedom of all economic resources to travel within the zone and include fiscal transfers from one country to another when one countries performing poorly.

WTO:

The WTO has two main aims to bring about trade liberalisation and to ensure countries act according to their trade agreements.

If a country follows to fail its agreements a country a group can file a complaint to the WTO will attempt to solve the issue through negotiations

One example of the WTO ruling is Boeing being allowed to impose tariffs Airbus for illegal subsidies in Europe in 2018.

They hold a series of talks called rounds the most recent of these is the Doha round in 2001 which aims to cut protectionism on agricultural goods reduced tariffs on manufacturing goods increase access to markets and services tighten intellectual property rights and give the WTO what how to settle disputes

One problem is that all countries must agree and so any country is able to veto in agreement therefore meaning not much gets done

Regional trade agreements contradict WTO principles as a common external tariff on trade outside the trading bloc introduces protectionism

Some argue the WTO is too powerful or that it ignores developing countries as developed countries do not trade freely with developing countries.

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