

Negatives of protectionism:

- Restricting foreign investment can restrict employment
 - This can lead to restricted growth, and therefore no significant increase in employment (NEGATIVE MULTIPLIER EFFECT)

Assessment of creation of trade blocs

- Increase in employment – extent of benefit depends on who sees increase in employment, and whether one country suffers from this or not.
- Potential increase in imports/exports – this depends upon the PED of the good, and the decrease in price in one country may mean less demand for goods in another country.
- Growing industries – could be bad for the environment

Key Players in World Economy

China

Reasons for economic growth:

- Structural change eg textiles
- Population growth
- Increase in disposable income
- Increase in FDI

The Asian Growth Model

Features of Asian thrift economies:

- Comparative advantage in low-value manufacturing
- Export-led growth (increase in exports = increase in aggregate demand)
- High savings ratio (increase in savings = investment = increase in AD)
- Poverty reduction (increase in consumption = increase in AD)
 - What defines poverty?
 - GDP per capita doesn't take into account equality

Keeping RMB (currency) weak – raise interest rates

USA says – “china's weak currency is to blame for US trade deficit”

Globalisation

What can businesses do when faced with tariffs and quotas?

- Live with increased costs
- Stop supplying that country
- Complain to the government, who then complain to the WTO
- Reduce costs in other parts of the business
- Move production to that country (avoid tariff/quota)

Globalisation – the process through which an increasingly free flow of ideas, people, goods, services and capital leads to integration of economies of scale.

Global strategy – use the same strategy in very localisation

Global localisation – change the strategy depending on needs and expectations

Liberalisation of trade – gradual removal of trade barriers

Harmonisation of laws (eg IPR) – become more similar

Roles of mergers and takeovers:

Merger – joining forces

Takeover – buying another firm

Types of integration – vertical and horizontal (refers to where each firm is in the supply chain)

Types of takeover – hostile and non-hostile

Inorganic growth – mergers and takeovers

organic growth – growing internally eg retained profits

CSR – where companies invest in the local community and the environment in order to benefit from society.

Importance of CSR:

- Create better links with charities
- Improves efficiency among workforce
- Firm reputation
- Affects almost every decision by a business