

## Summary

### 4.4 Economic integration

Subject	Year	Start date	Duration
Economics	IB2	Week 3, January	1 week 2 hours

#### Course Part

Global Economy

#### Description

**4.4 Economic integration**, you should be able to:

- Define the following terms: common pool resources, mercantilism, comparative advantage, preferential trade agreement, bilateral trade agreement, multilateral trade agreement, regional trade agreement (RTA), free trade area, customs union, common market, monetary union, complete economic integration, World Trade Organization (WTO), trading bloc, less developed country (LDC), Generalized System of Preferences (GSP), embargo, economies of scale, globalisation, multinational corporations (MNCs), International Monetary Fund (IMF), World Bank, fair trade, trade creation, trade diversion, purchasing power parity (PPP), Exchange Rate Mechanism (ERM), convergence criteria, current account, tariff escalation, monetary agreement.
- Distinguish between bilateral, regional, and multilateral trade agreements.
- Explain how preferential trade agreements give preferential access to certain products from certain countries by reducing or eliminating tariffs, or by other agreements relating to trade.
- Distinguish between a free trade area, a customs union and a common market.
- Explain how economic integration increases competition among producers within the trading bloc.
- Compare and contrast the different types of trading blocs.
- Discuss advantages of trading blocs, including:
  - potential achievement of economies of scale
  - greater employment opportunities with freedom of labour
  - stronger bargaining power in multilateral negotiations
  - greater political stability and cooperation
- Discuss disadvantages of trading blocs, including:
  - loss of sovereignty
  - the challenges of multilateral trading negotiations
- Explain the concepts of trade creation and trade diversion. **(HL)**
- Explain that a monetary union is a common market with a common currency and a common central bank.
- Discuss the possible advantages and disadvantages of a monetary union. **(HL)**
- Describe the objectives and functions of the WTO.
- Explain factors affecting the influence of the WTO, including:
  - difficulties of reaching agreement on services/primary products
  - unequal bargaining power of members

## Inquiry & Purpose

### ? Inquiry / Higher Order Questions

#### Type

#### Inquiry Questions

Skills-based

To what extent would increased economic integration ever be considered undesirable?

## Curriculum

### Objectives

#### **Knowledge and understanding (AO1)**

- Demonstrate knowledge and understanding of specified content
- Demonstrate knowledge and understanding of the common SL/HL syllabus
- Demonstrate knowledge and understanding of current economic issues and data
- HL only: demonstrate knowledge and understanding of the extension topics

### Syllabus Content

#### **Unit 4: The global economy**

Real-world issue 1 - Who are the winners and losers of the integration of the world's economies?

##### 4.4 Economic integration

Preferential trade agreements

Bilateral

Regional

Multilateral (the World Trade Organization)

Trading blocs

Free trade areas/agreements

Customs unions

Common markets

Advantages and disadvantages of trading blocs

Advantages, including:

trade creation (HL only)

greater access to markets offer potential for economies of scale

with freedom of labour, there are greater employment opportunities

membership in a trading bloc may allow for stronger bargaining power in multilateral negotiations

greater political stability and cooperation

Disadvantages, including:

trade diversion (HL only)

loss of sovereignty

challenge to multilateral trading negotiations

Monetary union

Advantages and disadvantages of monetary union (HL only)

The World Trade Organization (WTO)

Objectives and functions

Factors affecting the influence of the WTO, including:

difficulties of reaching agreement on services/primary products

unequal bargaining power of members

### Concepts

The increased **interdependence** of economies has benefits and costs

- Increased economic integration may result in **efficiency**, welfare gains and improvements in **economic well-being** but the benefits may not result in **equity**.

### ATL Skills

 Approaches to Learning

#### Thinking

- In this unit, we will
  - ask open questions
  - set students a task which required higher-order thinking skills (such as analysis or evaluation)

### Developing IB Learners

 Learner Profile

 Thinkers

 Principled

 Caring