



HSC Economics

**Topic 1:
The Global Economy**

**Booklet 1:
International Economic Integration**

Name: _____

Syllabus Dot Points

International Economic Integration

- The global economy
- Gross World Product
- Globalisation
 1. Trade in goods and services
 2. Financial flows
 3. Investment and transnational corporations
 4. Technology, transport and communication
 5. International division of labour, migration

The Global Economy

- Define the Global Economy.

- What is **Gross World Product**?

- What is **purchasing power parity**?

- There are three types of economies in the global economy.

1. Advanced Economies
2. Emerging Economies
3. Developing Economies

- What are advanced economies?

- What are emerging economies?

- What are developing economies?

COMPOSITION OF WORLD OUTPUT IN 2022

■ Advanced Economies ■ Emerging and Developing Economies

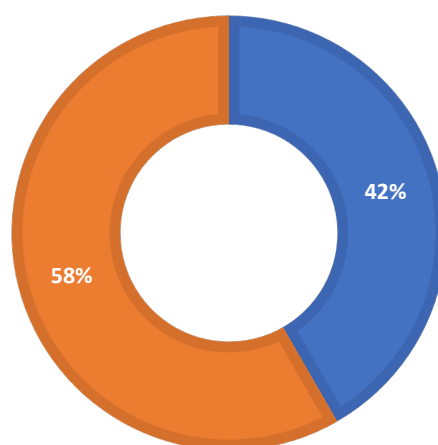


Table A. Classification by World Economic Outlook Groups and Their Shares in Aggregate GDP, Exports of Goods and Services, and Population, 2022¹
(Percent of total for group or world)

| | Number of Economies | GDP | | Exports of Goods and Services | | Population | |
|---|---------------------|--|-------------|--|-------------|--|-------------|
| | | Advanced Economies | World | Advanced Economies | World | Advanced Economies | World |
| Advanced Economies | 41 | 100.0 | 41.7 | 100.0 | 60.5 | 100.0 | 13.9 |
| United States | | 37.3 | 15.6 | 16.0 | 9.7 | 30.7 | 4.3 |
| Euro Area | 20 | 28.8 | 12.0 | 41.4 | 25.0 | 31.8 | 4.4 |
| Germany | | 7.8 | 3.3 | 11.0 | 6.6 | 7.7 | 1.1 |
| France | | 5.4 | 2.3 | 5.4 | 3.3 | 6.1 | 0.8 |
| Italy | | 4.5 | 1.9 | 3.9 | 2.4 | 5.4 | 0.8 |
| Spain | | 3.3 | 1.4 | 3.1 | 1.9 | 4.4 | 0.6 |
| Japan | | 9.0 | 3.8 | 4.9 | 3.0 | 11.5 | 1.6 |
| United Kingdom | | 5.4 | 2.3 | 5.3 | 3.2 | 6.2 | 0.9 |
| Canada | | 3.3 | 1.4 | 3.8 | 2.3 | 3.6 | 0.5 |
| Other Advanced Economies | 17 | 16.1 | 6.7 | 28.5 | 17.3 | 16.0 | 2.2 |
| <i>Memorandum</i> | | | | | | | |
| Major Advanced Economies | 7 | 72.8 | 30.4 | 50.4 | 30.5 | 71.3 | 9.9 |
| | | Emerging Market and Developing Economies | World | Emerging Market and Developing Economies | World | Emerging Market and Developing Economies | World |
| Emerging Market and Developing Economies | 155 | 100.0 | 58.3 | 100.0 | 39.5 | 100.0 | 86.1 |
| Regional Groups | | | | | | | |
| Emerging and Developing Asia | 30 | 56.3 | 32.8 | 49.6 | 19.6 | 55.9 | 48.1 |
| China | | 31.7 | 18.5 | 30.4 | 12.0 | 21.1 | 18.1 |
| India | | 12.4 | 7.3 | 6.2 | 2.5 | 21.2 | 18.3 |
| Emerging and Developing Europe | 15 | 12.8 | 7.4 | 15.9 | 6.3 | 5.5 | 4.7 |
| Russia | | 5.0 | 2.9 | 5.1 | 2.0 | 2.1 | 1.8 |
| Latin America and the Caribbean | 33 | 12.6 | 7.3 | 13.4 | 5.3 | 9.6 | 8.3 |
| Brazil | | 4.0 | 2.3 | 3.1 | 1.2 | 3.2 | 2.7 |
| Mexico | | 3.1 | 1.8 | 5.1 | 2.0 | 1.9 | 1.7 |
| Middle East and Central Asia | 32 | 13.0 | 7.6 | 16.9 | 6.7 | 12.5 | 10.7 |
| Saudi Arabia | | 2.3 | 1.3 | 3.6 | 1.4 | 0.5 | 0.4 |
| Sub-Saharan Africa | 45 | 5.4 | 3.1 | 4.2 | 1.7 | 16.6 | 14.3 |
| Nigeria | | 1.3 | 0.8 | 0.5 | 0.2 | 3.2 | 2.8 |
| South Africa | | 1.0 | 0.6 | 1.1 | 0.4 | 0.9 | 0.8 |

Globalisation

- Define globalisation.

- There are 5 **indicators of globalisation**, as stated in the syllabus.

These are:

1. Trade in Goods and Services
2. Financial Flows
3. Investment and Transnational Corporations
4. Technology, Transport and Communication
5. International Division of Labour, migration.

- Essentially, the indicators of globalisation is how we visualise the impact of globalisation in the world.
- We can pair up each **indicator** of globalisation with a **driver/cause**.

Trade in Goods and Services

- What does international trade measure?

- Growth in world trade has consistently been doubling the rate of global economic growth in the past 70 years.
- Volume of trade has increased by 125 times since 1960, whilst Gross World Product has increased 50 times.
- What was a major driver of this increase in trade?

- The high volume of global trade highlights how individual economies cannot produce all goods or services themselves.
- Additionally, trade in goods and services are very volatile. During the COVID pandemic, global trade fell by 8.3% and 10.6% during the GFC.

- Manufactured goods are the most exported goods (~55%) in the world, with high income economies dominating global trade. (~65%)



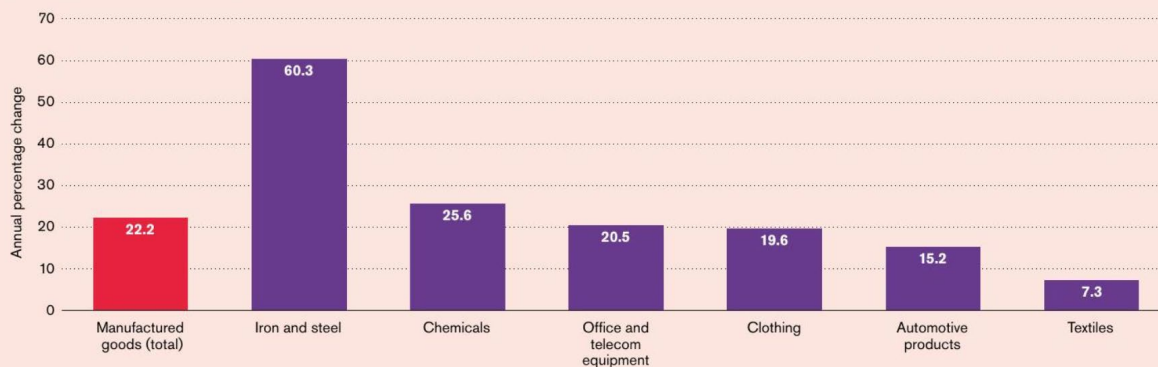
World exports of manufactured goods

World exports of manufactured goods exceeded their pre-pandemic levels in 2021, increasing by 22 per cent – with exports of iron and steel growing the most.

Chart 2.4

World exports of manufactured goods, 2021

(Annual percentage change)



Note: Data include trade within the European Union and exclude re-exports of Hong Kong, China.
Source: WTO estimates.

Financial Flows

- Finance is one of the worlds most globalised sectors. The financial sector is the backbone of the global economy, connecting economies together.

- What are some major drivers of increased financial flows?

- How does increased financial flows impact global economies?

- There is no single measure of international financial flows, however you can use figures such as **foreign direct investment, exchange of currency and speculative investment.**

- The foreign exchange (forex) market allows for the exchange of currency, facilities both international trade and investment.